

ongoing negotiations. In 2005, Canada's exports to Venezuela were \$685.8 million, and bilateral trade totalled \$2.5 billion.

Brazil

Brazil represents 80% of Mercosur's economic strength in nominal GDP, making it the bloc's most influential member and leader. Brazil has South America's largest GDP (US\$795.9 billion in current dollars for 2005), and annual economic growth is expected to average 3.5% over the period to 2010.⁴ Brazil's merchandise imports may reach \$104 billion by 2010, up 28% from an estimated \$81 billion in 2005.

In 2005, Canada's merchandise exports to Brazil stood at \$1.1 billion while bilateral trade totalled \$4.2 billion, making Brazil our second largest trading partner (after Mexico) in Latin America. Brazil is also the second largest recipient of Canadian direct investment (after Chile) in South America: in 2004, the stock of Canadian direct investment in Brazil increased 16.8% over the previous year to \$6.4 billion. Brazil's economic and financial stability, as well as its prosperity, make this country a high priority for Canadian trade and investment.

CHILE

The Canada-Chile Free Trade Agreement (CCFTA) has been a tremendous success since its entry into force on July 7, 1997. Two-way merchandise trade has increased from \$718 million in 1997 to \$2.1 billion in 2005. The stock of Canadian direct investment in Chile reached \$6.6 billion in 2004, concentrated mainly in the mining sector, according to the Canadian Embassy in Chile. Services exports to Chile totalled \$114 million in 2003.

Canada and Chile continue to work toward broadening the CCFTA. Work on a chapter on government procurement, including both market access and extended transparency commitments, is nearing completion. In addition, negotiations for the inclusion of a chapter on financial services are currently taking place.

ANDEAN COMMUNITY

In 2005, bilateral merchandise trade with the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) totalled \$5.5 billion, while Canadian exports to the region increased 26.6% over 2004 to reach \$1.6 billion. The Canadian stock of direct investment in the Andean Community amounted to \$3 billion in 2004. Canada's services exports to Colombia totalled \$49 million, while those to Venezuela totalled \$104 million (2003 data). Data on Canadian services exports to the other Andean Community countries are not available at this time.

In August 2002, Canada began exploring the possibility of a free trade agreement (FTA) with all five Andean Community countries at their request. Consultations with Canadian stakeholders revealed broad support for a Canada-Andean Community FTA. Colombia and Peru have recently completed FTA negotiations with the United States, and negotiations between Ecuador and the U.S. are ongoing. As the implementation of FTAs between the United States and the Andean Community countries could affect Canadian interests in the region, the Government of Canada will consider steps to ensure the competitiveness of Canadian exporters in these markets.

Canada signed a Trade and Investment Cooperation Arrangement with the Andean Community in 1999, and has FIPAs in place with Ecuador (1997) and Venezuela (1998). Canada is actively negotiating a FIPA with Peru, and has double taxation agreements with Ecuador (2001), Peru (2003) and Venezuela (2005).

Canada's priorities for the Andean Community in 2006 will be to continue representations for the elimination of discretionary import licensing and for the resumption of trade in beef from Canada, and to work to resolve investment disputes with Venezuela in accordance with the principles of transparency and the due process of law. Colombia is reducing the role of government in its economy and is encouraging private sector participation, particularly in oil and gas and in mining. Other members are increasing the role of government in their economies, particularly in oil

⁴ Data from Goldman Sachs, Global Economic Paper No. 99, October 2003.