basis, Argentina reserves the right to maintain exceptions to national treatment for real estate in border areas, air transportation, shipbuilding, nuclear energy, uranium mining and fishing. Technical discussions on upgrading the existing Foreign Investment Protection Agreement (FIPA) between Canada and Argentina were last held in January 1998. Canada has been pressing to improve the existing agreement to provide additional stability and transparency to an already positive bilateral investment relationship.

The Fiscal Convertibility Law, adopted by the Argentine Congress in October 1999, is another measure that the government introduced to encourage foreign investment in Argentina and to build investor confidence. It was expected to act as a fiscal discipline, mandating strict controls on public sector deficits in the following three years and fiscal balance by 2003. In the fall of 2000, the Chamber of Deputies passed a government-sponsored package of tax cuts aimed at promoting investment and economic growth, which fall in line with requirements for fiscal discipline laid down by the IMF-sponsored aid package. The plan attempts to generate domestic confidence, remove public- and private-market inefficiencies, and improve investment conditions. It has met with limited success thus far, and economic growth is not guaranteed.

## CHILE

### Overview

The Canada-Chile Free Trade Agreement (CCFTA) and its two parallel agreements on environmental and labour co-operation are now nearly four 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 and fifth round of cuts were made on January 1, 2000 and 2001. Tariffs on most other industrial and resource-based goods will be phased out by 2003.

As a result of a November 4, 1999 agreement, Canada and Chile have accelerated the elimination of tariffs on a selection of products. 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. Eight committees and working groups are in place to carry out any outstanding implementation elements of the Canada-Chile Free Trade Agreement and to resolve problems before they escalate into formal disputes. 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.

The implementation of the Canada-Chile Free Trade Agreement has precipitated a new era of bilateral co-operation with Chile. The total value of two-way trade in goods between Canada and Chile reached $1 billion in 2000. Canada's exports of goods totalled $445 million and imports reached $555 million in 2000. Canada foreign direct investment in Chile was $4.6 billion in 1999. 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 information technology sectors. While it is too early to assess the impact of the Canada-Chile Free Trade Agreement 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 Canada-Chile Free Trade Agreement. This convention facilitates the growth in trade and investment between Canada and Chile by establishing a more stable taxation framework for individuals and companies who do business in each other's countries.

In 1998, the Chilean government announced that it will reduce its uniform most-favoured-nation tariff by 1 percentage point per year until the tariff reaches