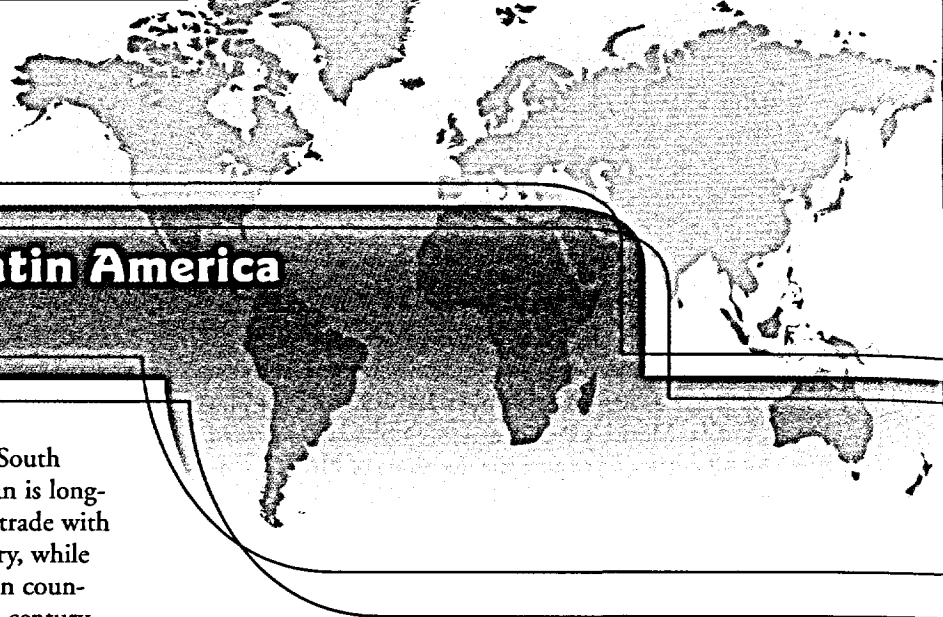




5 Opening Doors to Latin America and the Caribbean

Canada's relationship with the countries of South America, Central America and the Caribbean is long-standing and multi-dimensional. Canadian trade with the Caribbean dates back to the 18th century, while Canadian investment in Brazil—the linchpin country—was established by the end of the 19th century. The relationship with the region is now massive and growing quickly.

In 2005, Canada's exports of goods to Latin America and the Caribbean stood at \$5 billion, up 20% over the figure for 2004. Canadian exports to the region are a mix of commodities, semi-finished and fully finished products, including high-technology items. Preliminary analysis indicates that about 40% of these exports are commodities, while about 60% are semi-finished or fully finished products. Latin America and the Caribbean are also a significant market for Canadian services exporters. In 2003 (the most recent year for which statistics are available), Canada exported \$4.4 billion in services to this region.

FREE TRADE AREA OF THE AMERICAS (FTAA)

At the November 2005 Summit of the Americas in Argentina, Canada and the great majority of the countries of the hemisphere reaffirmed their commitment to the FTAA, which remains the best vehicle for trade and investment liberalization and for helping achieve the broader Summit objectives of prosperity, equity and democracy in the hemisphere. While a date for resumption of formal FTAA negotiations has not been set, Canada will support the two co-chairs of the FTAA (Brazil and the U.S.) in efforts to bridge outstanding differences among members on the scope and ambition of an eventual agreement. Canada also supported Colombia's efforts in 2005 to consult with FTAA participants on ways to move the negotiations forward.

The proposed FTAA was launched by leaders of the 34 democratic countries of the Americas in 1994. Excluding Canada's NAFTA partners, two-way merchandise trade with FTAA countries totalled \$18.9 billion in 2005. The stock of Canadian direct investment in these countries has grown rapidly,

climbing from \$6 billion in 1990 to \$60 billion in 2004. Canada's services exports to the non-NAFTA FTAA region are also growing and totalled \$2.7 billion in 2003.

MERCOSUR AND BRAZIL

Mercosur

Bilateral trade between Canada and the Mercosur bloc (Argentina, Brazil, Paraguay and Uruguay) totalled \$5 billion in 2005. That year, Canada's merchandise exports to Mercosur amounted to \$1.3 billion while imports stood at \$3.7 billion. Canada's services exports to Brazil and Argentina totalled \$339 million and \$78 million, respectively (2003 data). Data on Canadian services exports to the other Mercosur countries are not available at this time.

Canada has a strong commercial relationship with Mercosur, and has signed a number of bilateral arrangements with individual Mercosur countries, including double taxation agreements with Brazil (1984) and Argentina (1993), foreign investment promotion and protection agreements (FIPAs) with Argentina (1993) and Uruguay (1999), and air services agreements with Brazil (1986) and Argentina (1979). Canada and Mercosur have also signed a Trade and Investment Cooperation Arrangement (1998). Canada and Mercosur are interested in further enhancing their trade and investment ties and continue to explore which policy tools and instruments are best suited to promoting this objective.

On December 9, 2005, Mercosur initiated the process for the accession of Venezuela as a state party to the bloc. Venezuelan accession to the Mercosur founding treaties and its body of legislation is the subject of