

INVESTMENT

In 1999, Canadian foreign direct investment in Brazil was approximately \$3 billion. Due to the significant levels and long history of Canadian investment in Brazil, it is regarded as one of Canada's priority countries for concluding a Foreign Investment Protection Agreement. Negotiations were initiated in June 1998 and are ongoing.

ARGENTINA

Consistent economic policy since 1991 has brought Argentina to a certain level of economic stability. The Currency Convertibility Plan of 1991, which pegged the peso to the U.S. dollar, has successfully reduced formerly rampant inflation and generated local and foreign investor confidence in the overall direction of federal government policy-making. Prospects for Canadian exporters remain relatively promising over the medium- and long-term, however, especially in the investment sector, where Argentina is one of the leading emerging markets for foreign direct and indirect investment opportunities.

However, Argentina remains plagued by a general economic malaise affecting consumers and small and medium-sized enterprises. This has been as a result of a perceived lack of strong leadership and difficulties in policy co-ordination between federal and provincial governments. As well, due to its heavy reliance on Brazil's economy, and that nation's currency crisis in 1999, Argentina's industrial production has suffered considerably, a fact not aided by relative inefficiencies within certain sectors of the economy. This recent sluggish economic performance had dimmed somewhat investor confidence in Argentina, although the US\$40 billion, IMF-sponsored debt refinancing package announced in December 2000 has had a significant effect in reducing Argentina's country risk lending rate and its consequent image in the international bond market.

Bilateral Trade

Bilateral trade between Argentina and Canada increased markedly during the 1990s. From \$173 million in 1989, two-way trade reached \$642 million by 1997 and totalled \$602 million

in 1998. Reflecting the economic recession in Argentina in 1999, trade retracted to \$515 million in 1999 but reached \$596 million in 2000.

Approximately 50 percent of Argentine exports to Canada are agri-food products; a further 23 percent are leather products; and the balance includes steel-mill products and crude petroleum. Canadian exports to Argentina include machinery, agricultural products, minerals and metals, telecom equipment, mechanical and electrical appliances, newsprint, plastics and chemicals. In addition, during the last four years, there have been discussions on co-operation between Canada and Argentina on their common interests in the areas of nuclear energy, geoscience, mining, fisheries, space, high technology and, most recently, in agriculture and the environment.

Prime Minister Chrétien led trade missions to Argentina in January 1995 (\$394 million in business deals) and January 1998 (\$143 million in business deals). During the latter, companies from all 10 provinces signed agreements, a first for Team Canada. The Minister for International Trade, the Honourable Pierre Pettigrew, led a business mission to Argentina in March 1999 and visited Argentina again in July of the same year. Argentine President De la Rúa, accompanied by a business delegation, completed a two-day working visit to Canada in September 2000.

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Argentina is an important investment location for Canada. In 1999, Canadian direct investment in Argentina totalled \$2.465 billion, relatively unchanged from 1998 (\$2.496 billion). In 1990, Canadian investments in Argentina amounted to a mere \$123 million. Canada now ranks as the seventh most important foreign investor in Argentina. The main focus of this investment has been the oil and gas, mining and energy, agro-industry, banking and telecommunications sectors. The forest sector may soon offer potential for further Canadian investment. Generally, Argentina presents an open market to foreign investors, who are free to enter the country through mergers, acquisitions, greenfield investments or joint ventures. While foreign firms may also participate in publicly-financed R&D programs on a national treatment