

CANADA - BRAZIL TRADE

After several years of significant deficits, Canada's balance of trade with Brazil improved again in 1992. Canadian exports to Brazil increased from \$617.1 million in 1991 to \$620.6 million in 1992, while Brazilian exports to Canada reached \$715.2 million, also up from the \$706.2 million registered in 1991.

The composition of Brazilian sales to Canada has remained relatively constant over the years. In 1992, fruit juices again topped the list at \$116.3 million, followed by footwear (\$62.2 million), iron ore and steel products (\$57.9 million) and aluminium (\$52.7 million).

Canadian exports to Brazil have consisted primarily of commodities such as wheat, sulphur, potash, newsprint, paper products and coal, with turbines and turbo-propellers accounting for the largest segment of manufactured goods sales. For the year 1992, wheat was Canada's top export to Brazil at \$248.4 million (\$148.5 million in 1991), while sales of advanced technology (X-ray, chemical analysis, data processing and telecommunications equipment, and animal genetics) increased in response to Brazilian government trade liberalization measures.

Since early in 1990, the Brazilian government has instituted a series of trade liberalization reforms which have had a significant impact on Brazil's international trade. In addition to measures aimed at boosting Brazilian exports, the long-protected domestic economy is gradually being opened up to international competition. Import bans that affected about 1,800 products have been lifted, and "market reserves" on computer software and hardware were ended. Red tape and restrictions on hard currency payments to foreigners have been eased, and the Law of National Similars was repealed. This law prohibited the importation of any product for which a Brazilian-made similar could be found. Tariff rates are being reduced at an accelerated pace. By January 1994, the highest tariff will be 35% and the average rate will be 14.3%, compared with January 1992 levels of 65% maximum and 21% average.

As a result of these trade liberalization measures, Canadian exports increased by about 25% between 1990 and 1991, and maintained the new level in 1992. The upward trend was again apparent in the first quarter of 1993 when Canadian exports increased by 8% above the level attained in the first quarter of 1992. The outlook is also positive for exports in sectors such as telecommunications, transportation, oil and gas, pulp and paper, electronics, biotechnology and the environment.

Other areas subject to reform include: foreign investment laws, patent and trade mark licensing procedures, foreign royalty and dividend remunerations, technology transfer and import licensing procedures, and state monopolies/subsidy programs (notably in the steel, informatics, agriculture, aircraft and telecommunications sectors).