

CANADA-BRAZIL TRADE RELATIONS

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The Canada-Brazil bilateral relationship is extensive and is particularly important in its economic dimension. Brazil ranked 14th among Canada's export markets worldwide in 1987 and is our largest market in Latin America. Two-way trade was approximately \$1.5 billion in 1986 and 1987. Since 1984, our bilateral trade has moved from a surplus to a deficit, reflecting Brazil's increased success in exporting a broad range of products to the Canadian market, and the tightening of Brazil's won market in response to its external debt problems. Canadian companies have had some success in penetrating Brazil's vast network of trade barriers through the growing use of joint ventures and transfers of technology. With the ratification of a tax treaty in 1985 to avoid double taxation, and the inauguration of the Toronto/Rio direct air service in 1987 by Varig and Canadian Airlines International, we expect to see an increase in contacts and in commercial transactions between our two countries.

The Canadian and Brazilian business communities maintain close relations, primarily through the Brazil-Canada Chamber of Commerce and its counterpart, the Camara de Comercio Brasil-Canada. These organizations hold regular events designed to stimulate trade and investment between our two countries. Canadian registered investment in Brazil is approximately \$1.5 billion, making Brazil the third largest recipient of Canadian investment abroad, after the U.S. and the United Kingdom. Canadian-controlled assets in Brazil are considerably higher, however, probably in the order of US \$4 billion. Canada is the seventh largest foreign investor in Brazil.

Generally, Canadian exports to Brazil consist primarily of commodities such as wheat, sulphur, potash, coal and newsprint paper, with engine parts for motor vehicles and aircraft engines and parts accounting for the largest segments of manufactured goods sales. While many of our traditional exports were lower in 1988 than 1987, a positive trend is noted in the high tech field, with sales of over \$20 million of telecommunication equipment.

Canadian wheat exports to Brazil have been declining somewhat each year, from a high of \$775 million in 1984 to a low of \$508 million in 1988, due to the short supply situation in Canada and the Brazil/Argentine wheat agreement. We expect that minimal wheat sales will resume in 1989.

Brazilian exports to Canada rose in 1988 to almost \$1.2 billion from \$850 million in 1987. The product mix of their sales remains similar to those of previous years, i.e. fruit juice concentrates, coffee, bauxite, autos, computers, footwear and a variety of steel products. A major addition, however, has been Brazilian exports of cars and station wagons to Canada, over \$100 million versus \$1 million in 1986. A significant increase in their exports of yarn, cotton and man-made fibers is also noted.

Due to its very significant external debt, Brazil continues to place strong emphasis on export growth and on import restrictions. This condition leads us to conclude that Canadian export opportunities will continue to be reduced and exporters must place their emphasis on protecting existing markets.