

BRAZIL

BACK ON TRACK FOR GROWTH

With a GDP of an estimated \$651 billion dollars as well as the largest population in Latin America, Brazil has become Canada's largest trading partner in South America. The stabilization of the Brazilian currency, the Real, resulted in a sharp drop in inflation in the mid-1990s. Inflation is now under control; interest rates, formerly hiked to protect the Brazilian Real, have declined; and the economy is enjoying a 4% annual growth rate. The Brazilian government's combined program of austerity and privatization has steered the country towards steady growth, which, though interrupted in 1999 by a significant devaluation of the Brazilian currency, is again on the rise.

Signs of recovery are already evident in Canada's relationship with Brazil, with two-way trade for the first 10 months of 2000 increasing 10% over the same period in 1999. Commodities, which were Canada's traditional exports, have been displaced by value-added and manufactured goods. Canadian suppliers have staked out territory in mobile cellular systems, telecommunication and informatics equipment and services, environmental equipment and services, aircraft engines, leisure water craft, automotive parts, advanced manufacturing equipment, prepared foods, and remote sensing and geographic information systems. Canadians are importing a wide range of products from Brazil, including coffee, fruit juices, automotive parts and accessories, metals and minerals, shoes and petrochemicals.

In 1997, President Cardoso led a 100-strong delegation to Canada, and, in 1998, Prime Minister Jean Chretien's Team Canada's visit to Latin America included over 500 Canadian businesses. Contracts signed were worth hundreds of millions of dollars. **The Export Development Corporation (EDC)** has designated Brazil as one of five priority markets and has, accordingly, opened an office in São Paulo to cover Brazil and Mercosur. As well, **Agriculture & Agri-Food Canada** has designated Brazil as its priority market in South America.



INVESTMENT

Brazil is the world's second-largest recipient of Foreign Direct Investment (FDI), after China. Total FDI in Brazil reached \$45 billion in 1999, with an estimated \$7 billion invested by Canada, primarily in Brazil's telecommunications sector. As Brazil continues its move to privatize sectors, including petrochemicals, transportation and utilities, the investment climate will be more attractive to foreign investors.

OPPORTUNITIES

Because of the diversity of this market, opportunities exist in a broad range of sectors. Nonetheless, Canadian missions in Brazil have identified the following key sectors for trade and investment opportunities: information technologies, telecommunications equipment and services, processed foods, livestock and genetics, generic drugs, urban transit systems and services, and environmental equipment and services.

