

second to study "best practices" in trade development and promotion. In addition, it was agreed that the Business Advisory Council will be inaugurated at the next Consultative Group meeting, scheduled for early summer 2000 in Uruguay. This council will provide the mechanism for business representatives to input directly into the Canada-Mercosur trade and investment relationship.

Canada will continue to encourage Mercosur member countries to adhere to the ITA. Mercosur represents a major export market for Canadian manufacturers of IT and communications equipment.

ARGENTINA

Consistent economic policy since 1991 has brought Argentina a level of economic stability unprecedented in recent history. The enormously successful Convertibility Plan of 1991, which pegged the peso to the U.S. dollar, has resulted in high local and foreign investor confidence and broad public support. Because of its heavy reliance on Brazil's economy, and that nation's recent currency crisis, Argentina has experienced a recent downturn in its industrial production. However, prospects for Canadian exporters remain promising over the medium- and long-term, especially in the investment sector, where Argentina is one of the leading emerging markets for foreign investment opportunities.

Pork

On September 30, 1997, CFIA officials and their Argentine counterparts reached agreement on a pilot project allowing for the export of fresh, chilled and frozen pork to Argentina and Argentine exports of fresh, chilled and frozen beef to Canada. Technical requirements had previously prevented trade in these products. In 1999, both sides agreed to extend the terms of the pilot project indefinitely, pending further technical discussions towards a longer-term arrangement. These discussions will continue in 2000. As a result of the pilot project, Canadian pork exports to Argentina in 1998 were valued at \$3.6 million.

Investment

Argentina is an important investment location for Canada. In 1998, Canadian direct investment in Argentina totalled \$2.2 billion, up from \$1.9 billion in 1997. The main focus of this investment has been the oil and gas, mining and energy, agro-industry, banking and telecommunications sectors. Forestry may soon offer potential for further Canadian investment. Investors are free to enter Argentina through mergers, acquisitions, greenfield investments or joint ventures. While foreign firms may also participate in publicly financed R&D programs on a national treatment basis, Argentina reserves the right to maintain exceptions to national treatment for real estate in border areas, air transportation, shipbuilding, nuclear energy, uranium mining and fishing. Technical discussions on upgrading the existing FIPA between Canada and Argentina were last held in January 1998. Canada has been pressing to improve the existing agreement to provide additional stability and transparency to an already positive bilateral investment relationship. The Fiscal Convertibility Law, adopted by the Argentine Congress in October 1999, is another measure that the Government has introduced to encourage foreign investment in Argentina.

BRAZIL

In January 1999, the Brazilian government allowed the exchange rate for the real to float on global currency markets. This move, part of an effort to adjust federal fiscal and monetary policies, led to increased volatility in the real's exchange rate to the U.S. and Canadian dollars. Canadian exports to Brazil decreased by 35 percent in 1999 due in large part to the currency shift. The value of the real is stabilizing, however, and as internal prices adjust to its new value and the Brazilian economy begins to expand, Canadian exporters should again see export amounts rise to previous levels. The medium- and long-term prospects for Canadian exporters continue to be strong.