

the Andean Community before January 2002. Suriname and Guyana would eventually be invited to participate, thereby creating an "integrated economic area" throughout South America. At the Summit of the Americas in Quebec City in April 2001, Brazil's President Fernando Cardoso underscored his commitment to Mercosur, describing it as "an absolute priority for Brazil, an achievement that is here to stay [and] which will not cease to exist because of participation in integration schemes of a wider geographical range."

Despite widely publicized internal problems, Mercosur member countries consider Mercosur's political and economic achievements to date to be substantial. Nonetheless, various factors — Argentina's economic problems and that government's recent steps to try to alleviate the situation, Brazil's own internal economic problems (the energy crisis, fall in the value of the real, etc.), rumblings of discontent in Uruguay and Paraguay with respect to the level of the common external tariff, and further fine-tuning of the automotive regime — all point to challenging days ahead.

Trade and Investment Cooperation Arrangement (TICA)

Signed in June 1998, the Canada-Mercosur Trade and Investment Cooperation Arrangement laid the foundation for enhanced bilateral trade and investment and established a framework for collaboration in the FTAA, the WTO and the Cairns Group. The first Consultative Group meeting called for under the TICA took place during the FTAA meeting in Toronto in November 1999. At that meeting, a proposal was made to form two committees: one to study customs and technical cooperation and a second to study "best practices" in trade development and promotion.

In addition, it was agreed that the Business Advisory Council established by the TICA would provide the mechanism for business representatives to provide input directly into the Canada-Mercosur trade and investment relationship. Canada has held meetings with business representatives (in Calgary, Toronto and Montreal) to seek input on the most beneficial activities that might be engaged in under the TICA. As a follow-up, the Canadian Council of the Americas (CCA) successfully organized a meeting of the Business Advisory Council in Buenos Aires on April 3, 2001, on the margins of the FTAA. The Business Advisory Council recommended

a permanent exchange of information that would reflect participants' views on issues of common interest, as well as regular working-level meetings to culminate in a formal meeting in Quito, Ecuador, in October 2002, on the margins of the next FTAA.

On November 21, 2001, the TICA Consultative Group, consisting of senior trade officials, met in Montevideo, Uruguay, to determine the next steps of a Canada-Mercosur action plan under the TICA. The Group agreed on a work plan covering issues related to trade development, connectivity and ways of strengthening customs procedures. It plans to meet again in mid-2002.

BRAZIL

Overview

As a member of Mercosur, Brazil, the largest market in Latin America, attaches high priority to the eventual free circulation of goods, services and capital within the four countries. At present, most agricultural products have free access within the Mercosur countries; the exception is sugar, which remains the subject of a major trade dispute between Brazil and Argentina. The establishment of the common external tariff has already resulted in each of the member countries exceeding their WTO bound tariff rates for certain products. The current level of common external tariff on agricultural products varies between 0% and 18.5%, with the tariff on malt barley currently at 16.5% — now 6.5% above its WTO bound rate. With the worsening economic situation in Argentina, there has been considerable debate on how the common external tariff should be maintained.

In 2001, the Brazilian real depreciated 25% to 30% against the U.S. dollar, largely due to economic factors including the energy crisis in Brazil, the deteriorating economic climate in several Mercosur partners, and the slowdown in the international economy. Canadian exports for 2001 declined 13% from the same period in 2000. Despite reduced expectations for the performance of the Brazilian economy, the medium- and long-term prospects for Canadian exporters continue to be strong.

The Merchant Marine Renewal Tax

Canada has raised concerns about the imposition of duties and charges on imports that are not notified in