

Latin America and the Caribbean

Introduction

While Canada's economy is moving forward, it is travelling at a relatively slow pace, relative, that is, to some Latin American countries. This large and growing region has a \$1.3-trillion gross domestic product (GDP) and a population of 460 million, which is expected to reach 700 million by the year 2020. When it does, the region will be one of the largest markets in the world.

The possible expansion of the North American Free Trade Agreement (NAFTA) and other instances of greater market liberalization such as unilateral tariff reductions between Brazil and Argentina, multilateral trade agreements like MERCOSUR, the ANDEAN PACT, the G-3, CARICOM, and the Central America Common Market, will provide a competitive push to all economies in the region.

The prospect of a Western Hemisphere Free Trade Agreement by 2005 (as agreed to by heads of government at the Miami Summit in December 1994), increasing intra-regional trade and investment, and openness to international competition suggest that Canadian exports to Latin America should grow dramatically in the next five years.

Business Environment

Growth in Latin America as a whole is being spurred by a burgeoning middle class and increasing economic collaboration among the region's countries. The overall hemispheric growth is forecast to be about 3 percent for 1996. Argentina, Peru, Venezuela and Mexico are expected to experience lower growth rates. Following the financial/economic crisis of early 1995, Mexico's economy will bear close watching in 1996.

On the growth side of the equation, Chile's economy is forecast to accelerate in 1996. The remaining Latin American economies, including Brazil, are expected to maintain their recent strong growth rates. In efforts to improve their long-term economic prospects, Latin American governments will continue to emphasize fiscal restraint, market liberalization and the privatization of state-owned enterprises.

Over the last 10 years, Canada's interest in several areas — particularly the political sphere, trade, investment, research and technology — has converged with that of many Latin American countries. In these countries, Canada is regarded

as a valuable source of investment, know-how, technology and trade. This has resulted in an increase in joint ventures between Canadian and Latin American companies.

Many Latin American countries are putting natural resources at the core of their economic development strategies. Like Canada, they are rich in agricultural, forestry, fishing, and mineral and energy resources. Given Canada's own expertise in these sectors, the opportunities Latin America presents for Canadian businesses is significant.

The range of goods that Canada exports to the region is well-diversified including both commodities and manufactured products and totalled some \$4.7 billion in 1994, with a further growth of 29 percent in the first half of 1995. Canada's sales in the services sector account for an estimated additional 33 percent (approximately \$1 billion).

Canada's growing presence in the region is also reflected in an impressive level of investment, valued at over \$13 billion. This includes \$1 billion in Argentina, \$3.5 billion in Brazil, and actual and planned investment of over \$7 billion in Chile. For Mexico, Canada's cumulative direct investment now totals over \$1.3 billion with additional commitments of over \$1.5 billion. As investment and trade become even more closely linked, Canadian exporters to Latin America will have an added advantage as many of their clients will be Canadian investors with whom they have already established a solid trade relationship.

Market Opportunities

The Latin America and Caribbean Trade Division of the Department of Foreign Affairs and International Trade (DFAIT) has identified areas of strong potential for Canadian interests. The priorities, as detailed below, are in the following fields: mining; informatics; environment; forestry; industrial equipment; telecommunications; transport; geomatics; agriculture and agri-food; metals and minerals; oil and gas; and power and energy. Specific countries that will be focussed on include Mexico (various), Brazil (industry), Chile (mining); Peru (mining), Colombia (industry), and Argentina (energy).