totalled $2 billion in 2003, up 4.5% over 2002. Major imports included vehicles, iron and steel, machinery, sugar and other food items. Canadian direct investment exceeded $4.3 billion in 2002.

Since the January 2003 inauguration of the government of President Luiz Inacio Lula da Silva, Brazilian trade policy has placed more emphasis on achieving integration with the rest of South America. The new administration has also demonstrated a strong interest in enhancing trade and political relations with the rapidly industrializing economies of China, India and South Africa and with less-developed economies in Asia and Africa.

Brazil has further demonstrated its commitment to monetary and fiscal policy reforms to ensure the continued support of the International Monetary Fund (IMF) and to alleviate concerns among international investors regarding Brazil's financial stability. Primary fiscal surpluses are high (4.5% of GDP), inflation is on target at 8.5%, the rate of growth is forecast to increase from 0.5% in 2003 to 3.5% in 2004, and the employment rate increased by 3.5% in 2003. A new standby financing arrangement with the IMF (totalling US$7.5 billion) was announced on December 9, 2003, for social and development programs from 2004 to 2007, a move that has been favourably received by the financial markets. The ratio of U.S.-dollar-linked debt to total public debt is 23% (US$55 billion), and Brazil is working on reducing this proportion.

In November 2003, Brazil unveiled its long-awaited Guidelines for Industrial Policy, Technology and Foreign Trade. This policy is intended to increase economic and developmental efficiency, innovation, exports and the diffusion of technologies with the greatest potential in international market. The four sectors of focus are semiconductors, software, pharmaceutical and medicinal products, and capital goods. Although the mechanisms of the plan are still undefined, it is clear that there will be some form of domestic support and probably export support. It is still too early, however, to know whether these programs will have a trade-distorting effect. The Guidelines provide for export support with financing, simplified procedures and tax breaks, as well as support for entry into international supply chains. The Guidelines state that increased export activity depends clearly on international negotiations focused on removing tariff and non-tariff barriers (such as sanitary standards, which are becoming more significant).

In the context of the WTO, Brazil is a leader of the G20, a group of developing economies organized in response to a proposal on agriculture prepared by the United States and European Union in advance of the Cancun Ministerial Conference in September 2003. The G20 prepared its own paper on the reduction of domestic support programs and the elimination of export subsidies. In its proposal, the G20 called for developed countries to offer far greater market access, while offering little improvement in access for these nations to developing countries' markets in return. Since the setback at Cancun, Brazil, among other countries, has been searching for a way to restart the discussions. Brazil hosted a meeting of G20 ministers in December 2003, which was attended by the following countries: Argentina, Bolivia, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Tanzania, Venezuela and Zimbabwe.

Market Access Results in 2003

- Brazil approved a number of Canadian requests for pest risk assessments for plant products in 2003.

Canada's Market Access Priorities for 2004

- Continue representations concerning the levying of duties and charges on imports from Canada that are not consistent with Brazil's international trade obligations; an example is Brazil's Merchant Marine Renewal Tax, which imposes a 25% tax on the ocean freight of imported goods.
- Continue representations seeking changes to Brazil's newly implemented restrictions on the maximum levels of quarantinable non-regulated pests on seed potatoes, which Canada believes are trade-restrictive and inconsistent with international principles and practices.
- Continue monitoring how Brazil applies its customs valuation regime on Canadian imports to ensure that its implementation is consistent with Brazil's international trade obligations.
- Monitor closely the implementation of Brazil's Normative Instruction 34, which requires pest