

economies other than Japan have increased their direct investment stake in Canada in recent years, accounting for almost 3% of FDI stock in Canada in 1991, up from 0.3% ten years earlier.²⁸

With respect to Latin America, several of the main economies grew at Asian rates in the 1970s (a fact sometimes forgotten), before the distortions of import substitution and the debt crisis led to the lost decade of the 1980s when the region fell sharply behind. Over the last several years, democratic institutions and practices have strengthened considerably. Latin America has also reversed its economic course, often quite remarkably. Although with varying degrees of commitment (strongest in Mexico and Chile, almost as impressively in Argentina, Colombia and Venezuela, still hesitantly in Brazil), Latin American governments have implemented increasingly coherent domestic economic reforms and have strikingly liberalized their trade and investment regimes. They have also demonstrated an important commitment to formalizing these changes in internationally binding obligations through accessions to the GATT, market opening proposals in the MTN, and a willingness to take concrete steps toward freer trade through additional sub-regional integration. Several are clearly committed to going even further by entering into a comprehensive economic relationship as equals with the U.S. and Canada through accession to the NAFTA.

Real growth in Latin America is expected to average about 5% annually through the year 2000. In 1980, Latin America was the destination of 5% of Canada's total merchandise exports, a level that plummeted to 2% during the troubled 1980s. Canadian exports are now expanding once again and could return to a 5% share by the end of the decade as a result of steadier growth in the region and increased integration through NAFTA.²⁹ The region is an excellent market for higher value-added Canadian products: in 1980 shipments of fabricated materials, machinery and equipment, and consumer manufactures accounted for over 60% of Canada's exports to Latin America.

²⁸ Statistics Canada, Catalogue No. 67-202 (1992), Table 29, pp. 101-06. Hong Kong leads the way in this regard.

²⁹ Canada's exports to Latin America and the Caribbean increased by 19% (on a customs basis) in 1992, while Mexico became our fifth largest source of imports. Statistics Canada estimates that Canadian exports to Mexico have been underestimated by at least one-third, due to the failure to record accurately shipments to U.S.-based intermediaries. This may also be the case for Canadian exports destined for other countries in the hemisphere which are transhipped through the U.S. This rectification implies that Canada's trade surplus with the U.S. is modestly lower than the formally recorded level.