

CANADA-BRAZIL TRADE RELATIONS

Background

Trade relations between Canada and Brazil are governed by a bilateral trade agreement of 1941 and by the General Agreement on Tariffs and Trade of which both countries are founding members. In addition, Canada extends the benefits of the Generalized System of Preferences (GSP) to Brazil. The GSP, introduced on July 1, 1974, provides reduced rates of duties on most goods imported from developing countries.

In 1976, the two governments established a joint economic committee, the objective of which was to review trade and economic relations with a view to identifying opportunities for increased commercial and industrial exchanges. The JEC has met three times, most recently in June of 1980.

At the 1978 meeting of the JEC, it was agreed that officials should meet to review whether a sufficient basis existed for development and implementation of a work program to exploit commercial possibilities, including trade, joint ventures, technology transfers and investment. Officials met in Brasilia in May of this year to carry out such a review. The JEC decided that this work should be pursued under a permanent Working Group on Industrial Cooperation.

Two-Way Trade

Before 1968, Brazil maintained a trade surplus with Canada. However, since then the balance of trade has been substantially in Canada's favour.

Brazil is Canada's largest market in Latin America, and ranked twelfth among all destinations for Canadian merchandise exports in 1979.

Canadian exports to Brazil in 1979 increased only slightly (0.7%) to \$418.6 million from \$415.8 million in 1978. Most significantly, however, non wheat exports grew to \$333 million, an increase of 46 percent over 1978. Leading exports were wheat, newsprint, potash, rapeseed, gold alloys, coal, aluminum and aircraft engines.

Brazil represents a key market for a number of Canadian exports. It ranks third among all destinations for our coal and potash exports, and fifth among buyers of our