



auspices of the WTO, and Canada is monitoring developments to verify whether the Brazilian measure is consistent with the WTO.

Meat

Canadian meat exporters continue to express concern over Brazil's requirement for the validation of inspection certificates for meat products by the Brazilian embassy or consulates prior to export. From the industry's perspective, this requirement delays the export process, creates additional costs and undermines its competitiveness in the Brazilian market. Canada believes that the requirement is contrary to common international practice, unnecessary for the sanitary certification process, and therefore unnecessarily trade-restrictive. Canada has been making representations to Brazil pressing for the removal of this requirement. Canada raised the issue during the March 1997 Canada-Brazil Joint Economic and Trade Council consultations, and has made further diplomatic representations. Brazil has responded that the possibility of removing this requirement "is currently under evaluation." We will continue to press for the resolution of the issue.

Chicken/Poultry

Brazil does not allow the importation of Canadian products containing raw or cooked poultry meat on the grounds that Brazil has not yet reviewed Canada's meat-inspection system for poultry or approved Canadian establishments. This policy has hurt the business interests of several Canadian exporters. Canada has proposed that the two countries initiate negotiations on the mutual recognition of poultry-inspection procedures to facilitate the entry of food products containing poultry meat into the Brazilian market. Canada is currently waiting for a response from the Brazilian government.

Wheat TRQ

In late 1996, Brazil notified the WTO of its intention to withdraw a 750 000 tonne duty-free wheat TRQ from its market access schedule. As a principal supplier of wheat to the Brazilian market, Canada notified its intention to claim compensation for the withdrawal of this concession. Canada and Brazil have had a number of meetings to attempt to resolve this issue. However, Brazil has yet to formally recognize

Canada's claim for compensation. Discussions are continuing. In this regard, the recently signed MOU on Agriculture with Brazil could assist in developing solutions.

Subsidies to Exports

Brazil's export subsidy program (PROEX) provides support to the Brazilian aircraft manufacturer, Embraer, for the export of regional jets. PROEX reduces the cost of financing the purchase of an Embraer aircraft by 3.8 % (or around US\$2 million per 50-seat jet) through what are called "interest equalization" payments. Canada believes that PROEX is a prohibited subsidy under WTO rules, and is concerned about the negative impact that PROEX might have on exports of the Canadair Regional Jet and other regional aircraft to third markets. Canada and Brazil have held discussions over many months regarding support for exports of regional aircraft, both within the structure of WTO consultations and in less formal bilateral talks. In January, Prime Minister Chrétien and Brazilian President Cardoso appointed special envoys to find a solution to the dispute. The envoys will report to the Prime Minister and the President by early April.

CHILE

Overview

Over the past year, the Canada-Chile Free Trade Agreement (CCFTA) was ratified by both Canada and Chile, and came into force on July 5, 1997. On that date, tariffs were eliminated on the majority of products that make up Canada-Chile bilateral trade. For products on which tariffs are being gradually eliminated over the next few years, the second round of cuts was made on January 1, 1998.

The implementation of the CCFTA heralds a new era in bilateral co-operation with Chile, which has already expanded significantly in recent years. The total value of two-way trade in goods has more than doubled over the past five years, reaching \$691.5 million in 1997. Canada's exports of goods totalled \$366.7 million and imports reached \$324.8 million in 1997. Canada has become the second-largest foreign investor in Chile, with current and planned investments