

## *Andean Community*

In August 2002, Canada and the Andean countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) announced that they had agreed to begin exploratory discussions toward a possible free trade agreement. Government officials met on two occasions, most recently in Ottawa in May 2003, to exchange information and views on the scope of possible free trade negotiations. The Government of Canada launched extensive domestic consultations in November 2002 with business, citizen-based organizations and individual Canadians, as well as with provincial and territorial governments, to obtain advice and views on priorities, objectives and concerns that would help define the possible scope of a free trade agreement with these countries. The majority of responses received have been supportive of eventual free trade negotiations with the Andean Community. Additional exploratory discussions with the countries of the Andean Community would be necessary before negotiations could commence. Canada and the Andean Community signed a Trade and Investment Cooperation Arrangement (TICA) in May 1999.

### **VENEZUELA**

#### **Overview**

Venezuela is an important commercial partner to Canada, with bilateral trade totalling just over \$1 billion in 2003. Canada exported \$300 million to Venezuela in 2003 and had imports of \$709 million. This makes Venezuela Canada's fourth largest trading partner in South America, down from second largest in 2002. This decline is mainly due to the deteriorating economic situation in Venezuela and the February 2003 imposition of foreign exchange controls, which is affecting all foreign suppliers. The main Canadian exports to Venezuela are wheat, motor vehicle parts and accessories, machinery, paper, electrical machinery, vegetables and wood pulp. Canada's imports from Venezuela consist of petroleum products, bitumen and asphalt, semi-finished iron for motor vehicle parts, iron and steel products, chemicals and vehicles.

Canadian investment is concentrated in Venezuela's telecommunications, banking, mining, legal services, and oil and gas sectors. In addition, Canadian exporters and investors are pursuing opportunities in the agri-food, energy, environment and security products sectors.

A Foreign Investment Protection Agreement between Canada and Venezuela was signed in 1997 and came into force in January 1998. Negotiations on a Double Taxation Agreement were completed in July 2001; the Agreement has been approved by the Venezuela National Assembly and awaiting the President's signature since 2002.

#### **Canada's Market Access Priorities in 2004**

- Continue to lobby for final sign-off on the Double Taxation Agreement.
- Continue making representations to Venezuela seeking elimination of its discretionary import licensing system for agricultural products.
- Continue encouraging Venezuela to resolve investment disputes in accordance with the principles of transparency and the due process of law.

### **IMPROVING ACCESS FOR TRADE IN GOODS AND SERVICES**

#### **Foreign Exchange Administration Commission**

In January 2003, the Venezuelan government imposed foreign exchange controls that affect virtually all exporters of goods and services to Venezuela. These controls make it nearly impossible for Venezuelan importers to legally access foreign exchange for goods and services that are not on the priority import lists administered by the Foreign Exchange Administration Commission (CADIVI); consequently these controls act as a non-tariff barrier to trade. For those transactions approved by CADIVI, Canadian exporters face long delays in receiving payment from Venezuelan importers, because of bureaucratic delays in accessing foreign currency under the current regime. CADIVI's average monthly exchange authorizations in 2003 were significantly fewer than the average monthly foreign currency transactions registered in 2001-2002, before the imposition of controls. Moreover, of the