

7. Opening Doors to Latin America and the Caribbean

Canada's relationship with emerging economies in Latin America and the Caribbean remains strong and continues to grow. In 2006, Canada's exports of goods to Latin America and the Caribbean stood at \$5.8 billion, down 31.5% from a record high of \$8.4 billion in 2005. Canadian exports to the region are a mix of commodities (40%) and semi-finished and fully finished products (60%), including high-technology items.

Mercosur, Brazil and Venezuela

Mercosur

Canada and Mercosur (Argentina, Brazil, Paraguay and Uruguay) are interested in further enhancing their trade and investment ties, and continue to explore which policy tools and instruments are best suited to promoting this objective. Bilateral trade between Canada and the Mercosur bloc totalled \$5.6 billion in 2006. That year, Canada's merchandise exports to Mercosur amounted to \$1.6 billion while imports stood at \$4.0 billion.

Brazil

Brazil, a rapidly developing and stable economy, is an economic powerhouse by any measure. The International Monetary Fund ranks Brazil as the 11th-largest economy globally. Brazil's highly diversified and industrialized economy is the largest in Latin America. It has extensive natural resources and is a world leader in agro-industry.

Brazil represents nearly 80% of Mercosur's economy, making it the bloc's most influential member and leader. Brazil has South America's largest GDP (\$1,211 billion in 2006), and annual economic growth is expected to average 3.5% over the period to 2010.³

² Percentages based on preliminary analysis.

³ Data from Goldman Sachs, *Global Economic Paper No. 99*, October 2003.

In 2006, Canada's merchandise exports to Brazil stood at \$1.3 billion while bilateral trade totalled \$4.7 billion, making Brazil our second largest trading partner (after Mexico) in Latin America.

Venezuela

On December 9, 2005, Mercosur initiated the process for the accession of Venezuela as a state party to the bloc (negotiations are ongoing). Venezuela served notice of its intention to withdraw from the Andean Community on April 22, 2006, but it will continue to enjoy some advantages under the sub-region's liberalization program for five years following withdrawal.

In 2006, Canada's exports to Venezuela stood at \$788.6 million while bilateral trade totaled \$2.0 billion. Services exports to Venezuela amounted to \$182 million (2004 data). One of Canada's priorities for Venezuela will be to continue representations aimed at eliminating discretionary import licensing. In Venezuela, the lack of transparency in the issuance of import permits for certain food products such as potatoes and pork remains a major barrier to trade. Canada has signed a FIPA and a Double Taxation Agreement with Venezuela, which have been in effect since 1998 and 2005, respectively.

Chile

The Canada-Chile Free Trade Agreement (CCFTA), the cornerstone of our important bilateral relations with Chile, marks its 10th anniversary in 2007. Two-way merchandise trade increased from \$718 million in 1997 to \$2.3 billion in 2006, with Canadian merchandise exports accounting for \$472.9 million that year.