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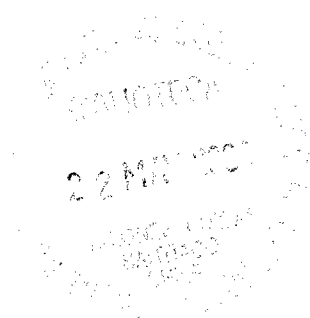


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**CANADA'S TRADE AND INVESTMENT WITH LATIN AMERICA AND THE  
CARIBBEAN**

## I. Introduction

In the 1990s, Canada's trade relations with Latin America and the Caribbean intensified. The signing of the North American Free Trade Agreement (NAFTA) in 1994 signaled the beginning of a new phase in trade relations between Canada and countries in the hemisphere. Since 1994, Canada has signed trade agreements with Costa Rica and Chile. Currently, negotiations are underway for a free trade agreement with Central America. Also, preliminary talks of trade agreements with the Caribbean and the Andean Community have taken place. In addition, Canada is actively participating in negotiations for a Free Trade Area of the Americas (FTAA). Moreover, trade and Investment Cooperation Agreements (TICAs) have been signed with the Andean Community and Mercosur.

As a result of the free trade agreements (FTAs) and increasing liberalization, trade between Canada and Latin America and the Caribbean has more than doubled since 1990. Also, in the past decade, Canadian investment in Latin America and the Caribbean has grown six-fold.

## II. Trade Flows

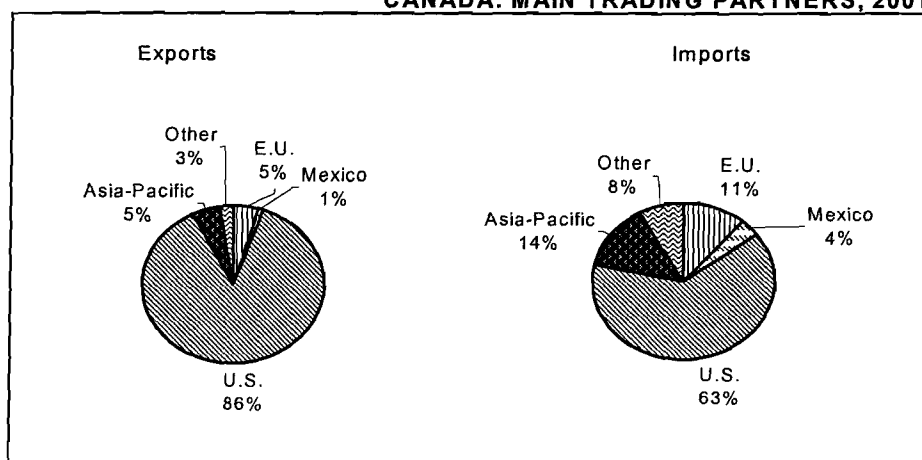
In 2001, exports accounted for over 43% of Canadian gross domestic product, and imports accounted for another 38%. The U.S., by far Canada's most important trade partner, accounted for 86% of all exports and 63% of all imports. Trade relations between the U.S. and Canada have been strengthened first by the Canada-U.S. FTA and then by NAFTA. Since the implementation of NAFTA in 1994, trade volumes between Canada and the U.S. have increased by 57%. In 2001, Canada exported \$367 billion to the U.S., and imported \$235 billion<sup>1</sup>.

**Table 1**  
**TRADE AS PERCENT OF GDP, 1989-2001**

|                      | 1989 | 1994 | 2001 |
|----------------------|------|------|------|
| <b>Total Exports</b> | 25.6 | 34   | 43.1 |
| Goods                | 22.4 | 29.7 | 38.0 |
| Services             | 3.2  | 4.3  | 5.2  |
| <b>Total Imports</b> | 25.6 | 32.9 | 38.1 |
| Goods                | 21.2 | 32.1 | 27.1 |
| Services             | 4.4  | 5.8  | 6.0  |

Source: Statistics Canada, National Income and Expenditure Accounts

**Figure 1**  
**CANADA: MAIN TRADING PARTNERS, 2001**



Source: ECLAC based on Statistics Canada and U.S. Census Bureau

<sup>1</sup> All dollar values are given in U.S. currency.

Table 2  
CANADA: TRADE WITH LATIN AMERICA AND THE CARIBBEAN, 1990-2001

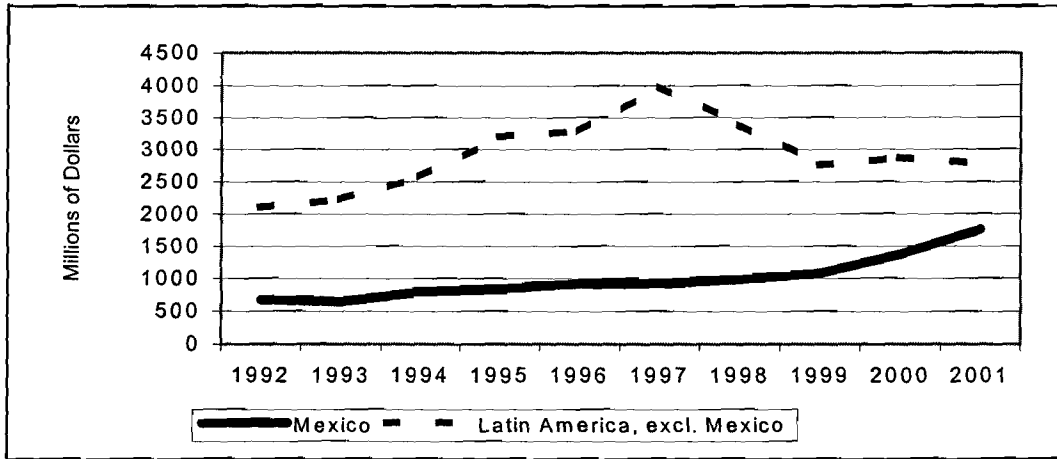
*Millions of U.S. Dollars*

|                          | 1990    |         | 2000    |         | 2001    |         | 2002 (Jan-Oct) |         |
|--------------------------|---------|---------|---------|---------|---------|---------|----------------|---------|
|                          | Imports | Exports | Imports | Exports | Imports | Exports | Imports        | Exports |
| <b>Latin America</b>     |         |         |         |         |         |         |                |         |
| Argentina                | 119.5   | 41.9    | 247.2   | 164.5   | 226.0   | 85.3    | 181.2          | 24.0    |
| Bolivia                  | 19.6    | 4.4     | 11.0    | 11.1    | 6.8     | 10.2    | 7.9            | 4.2     |
| Brazil                   | 684.4   | 430.6   | 1011.2  | 708.3   | 999.0   | 590.8   | 1009.1         | 406.2   |
| Chile                    | 154.3   | 171.9   | 374.0   | 299.1   | 413.7   | 238.3   | 361.6          | 134.9   |
| Colombia                 | 113.4   | 182.6   | 223.7   | 208.3   | 268.6   | 232.9   | 209.4          | 169.3   |
| Costa Rica               | 49.3    | 23.9    | 123.2   | 57.8    | 121.8   | 38.4    | 133.9          | 39.5    |
| Cuba                     | 111.5   | 151.7   | 275.0   | 223.9   | 233.3   | 254.7   | 177.3          | 134.4   |
| Dominican Republic       | 33.9    | 49.5    | 64.5    | 54.7    | 61.6    | 60.8    | 64.4           | 68.6    |
| Ecuador                  | 126.8   | 32.9    | 82.0    | 67.6    | 86.6    | 86.0    | 87.9           | 71.9    |
| El Salvador              | 16.2    | 13.8    | 102.7   | 15.2    | 28.6    | 14.8    | 30.5           | 17.7    |
| Guatemala                | 32.4    | 24.4    | 113.8   | 82.6    | 95.6    | 84.5    | 79.1           | 63.7    |
| Haiti                    | 12.6    | 13.3    | 6.3     | 17.2    | 7.0     | 17.4    | 6.2            | 20.7    |
| Honduras                 | 11.3    | 9.2     | 44.0    | 10.4    | 80.8    | 9.7     | 71.9           | 7.9     |
| Mexico                   | 1498.5  | 562.3   | 8124.9  | 1376.1  | 7826.0  | 1776.1  | 6635.3         | 1247.8  |
| Nicaragua                | 54.3    | 10.1    | 39.9    | 9.1     | 28.2    | 7.9     | 25.7           | 4.9     |
| Panama                   | 3.7     | 14.3    | 9.4     | 38.3    | 6.8     | 30.2    | 6.1            | 18.5    |
| Paraguay                 | 1.0     | 2.3     | 1.0     | 4.4     | 2.1     | 4.3     | 5.8            | 5.3     |
| Peru                     | 109.8   | 50.3    | 127.1   | 137.9   | 162.3   | 115.1   | 161.9          | 91.4    |
| Uruguay                  | 38.9    | 17.5    | 79.5    | 18.8    | 89.2    | 12.8    | 26.3           | 5.3     |
| Venezuela                | 494.8   | 246.2   | 949.8   | 428.5   | 874.1   | 521.3   | 672.9          | 301.9   |
| <b>The Caribbean</b>     |         |         |         |         |         |         |                |         |
| Anguilla                 |         | 0.5     | 0.0     | 0.4     | 0.0     | 1.8     | 0.0            | 0.6     |
| Antigua and Barbuda      | 0.2     | 5.4     | 0.2     | 7.3     | 0.2     | 6.9     | 0.6            | 4.8     |
| Aruba Island             |         |         | 17.8    | 3.9     | 0.4     | 1.8     | 3.1            | 1.9     |
| Bahamas                  | 25.1    | 43.4    | 9.5     | 19.0    | 8.9     | 19.3    | 7.5            | 18.3    |
| Barbados                 | 13.1    | 30.6    | 5.0     | 17.2    | 5.9     | 17.4    | 3.4            | 17.6    |
| Belize                   | 9.1     | 3.1     | 6.7     | 1.7     | 2.4     | 2.3     | 3.6            | 2.6     |
| Bermuda                  | 1.7     | 22.4    | 1.2     | 23.3    | 1.5     | 23.9    | 2.3            | 66.4    |
| Cayman Islands           | 0.0     | 2.4     | 0.4     | 55.8    | 17.8    | 38.4    | 2.4            | 0.4     |
| Dominica                 | 0.1     | 2.2     | 1.2     | 3.0     | 0.5     | 1.8     | 0.6            | 1.3     |
| Grenada                  | 0.1     | 3.4     | 1.0     | 2.7     | 0.7     | 2.1     | 0.8            | 1.7     |
| Guyana                   | 21.1    | 9.4     | 133.2   | 5.4     | 135.3   | 5.4     | 118.9          | 5.5     |
| Jamaica                  | 134.7   | 95.1    | 133.1   | 67.2    | 209.8   | 85.4    | 135.1          | 85.5    |
| Montserrat               | 0.1     | 0.6     | 0.1     | 0.2     | 0.1     | 0.1     | 0.2            | 0.2     |
| Netherland Antilles      | 12.4    | 18.3    | 5.6     | 13.5    | 15.0    | 7.7     | 0.6            | 7.7     |
| Saint Lucia              | 0.2     | 6.9     | 1.0     | 6.5     | 0.2     | 6.6     | 0.2            | 4.8     |
| St. Kitts-Nevis          | 0.0     | 4.4     | 3.0     | 6.5     | 4.0     | 10.7    | 3.9            | 13.2    |
| St. Vincent-Grenadines   | 0.2     | 3.0     | 0.3     | 3.3     | 0.2     | 2.6     | 0.3            | 1.6     |
| Surinam                  | 0.3     | 1.8     | 38.1    | 3.9     | 34.9    | 3.9     | 29.6           | 2.0     |
| Trinidad and Tobago      | 21.2    | 54.1    | 48.7    | 74.8    | 126.0   | 116.8   | 91.2           | 74.9    |
| Turks and Caicos Islands |         | 0.5     | 1.1     | 1.6     | 0.7     | 1.5     | 1.2            | 0.8     |

Source: ECLAC based on Statistics Canada and the U.S. Census Bureau

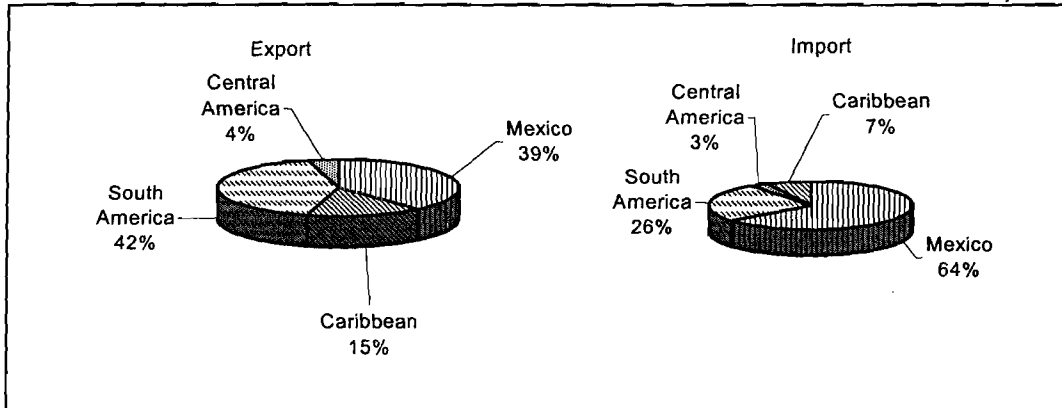
In the last decade, Canada has worked to strengthen trade relationships with other countries and regions, including Latin America and the Caribbean. While Latin America and the Caribbean continues to account for only 2% of total exports, the value of exports has risen from \$2.4 billion in 1990 to \$4.5 billion in 2001<sup>2</sup>. Over the same time period, imports have grown in both relative terms (3.6% to 5.5%) and in total numbers (\$3.9 billion to \$12.2 billion). Between January and October of 2002, total exports to the region were \$3.2 billion, representing a 17.9% fall from the same period in 2001. Imports from January to October of 2002 totaled \$10.4 billion, a 0.7% increase from 2001.

Figure 2  
CANADA: EXPORTS TO LATIN AMERICA



Source: ECLAC based on Statistics Canada and U.S. Census Bureau

Figure 3  
CANADA: MAIN TRADING PARTNERS IN LATIN AMERICA AND THE CARIBBEAN, 2001



Source: ECLAC based on Statistics Canada and the U.S. Census Bureau

After the U.S., the largest trading partners in the hemisphere are Mexico, Brazil, and Venezuela. Canada's exports to these countries have increased significantly in the last decade. Five of Canada's ten fastest growing export markets are in Latin America and the Caribbean. Canadian exports to markets in Mexico, Chile, Guatemala, Argentina, and Peru are growing at

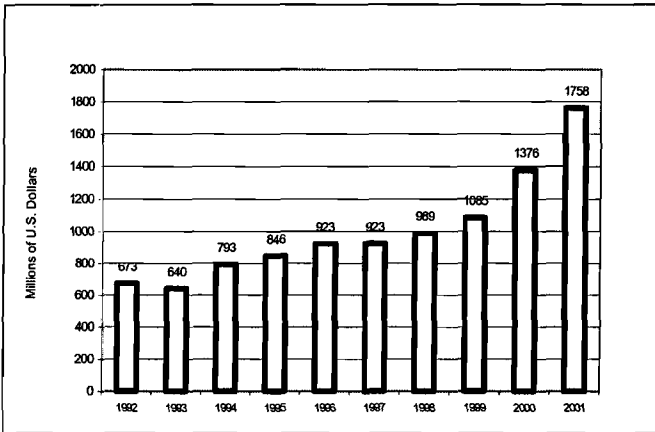
<sup>2</sup> Trade figures for Latin America and the Caribbean are often understated due to problems with trans-shipments. When products pass through the U.S. they may be considered to be exports to the U.S. or imports from the U.S.

rates varying from 13% to 20%. Key exports from Canada to Latin America and the Caribbean include telecommunications equipment, computers and computer components, agri-food products, and electronic equipment.

Mexico is Canada's most important trade partner in Latin America and the Caribbean, with NAFTA having developed this relationship considerably. In 2001, total trade between the two countries was close to \$10 billion. Most of the growth in trade has come from significant increases in Canada's imports from Mexico. Total imports amounted to \$3.3 billion in 1994, and in 2001, the number had grown to \$7.8 billion. This represents a 136% growth in import levels since the implementation of NAFTA. Canada's main imports from Mexico include machinery, mechanical appliances, transport equipment, base metals, and mineral products including crude petroleum. Canada's exports to Mexico include agri-food products, information technology, and communications technology.

Figure 4a

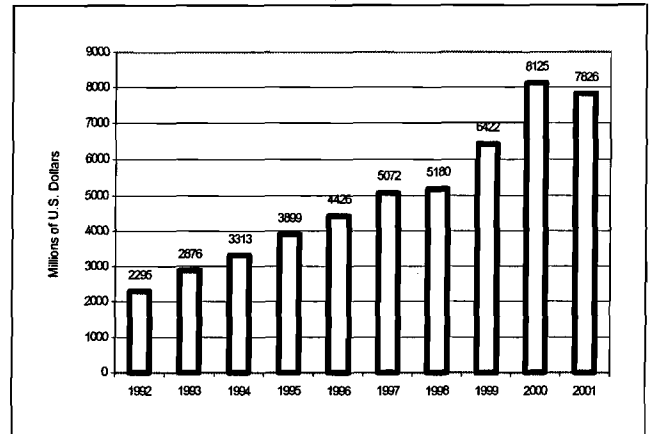
CANADA: EXPORTS TO MEXICO



Source: Statistics Canada and U.S. Census Bureau

Figure 4b

CANADA: IMPORTS FROM MEXICO



Source: Statistics Canada and U.S. Census Bureau

Canada and Mexico continue to seek initiatives to further improve trade between the two countries. In the fall of 2001, the Canadian government created a Border Crossing Representative Office in Nuevo Laredo; this office seeks to and attempts to facilitate the flow of Canadian agricultural exports into Mexico. Furthermore, the creation of an Export Development Canada office in Monterrey, Mexico was announced.

The Caribbean is amongst Canada's most important partners in the hemisphere. In 2001, Canadian two-way trade with CARICOM totaled \$835 million<sup>3</sup>. This figure represents a 62% increase in trade between 1990 and 2001. Key trade partners in the Caribbean include Jamaica,

<sup>3</sup> CARICOM is the Caribbean Community and Common Market. It was created in 1973 in an effort to further regional integration efforts in the Caribbean. The members of CARICOM are Guyana, Trinidad & Tobago, Surinam, Haiti, St. Kitts-Nevis, Belize, Grenada, Antigua & Barbuda, St. Vincent-Grenadines, Saint Lucia, Montserrat, Bahamas, Barbados, Dominica, and Jamaica.

Trinidad & Tobago, The Bahamas, and Guyana. In 2002, trade with Bermuda increased significantly, and total trade with the region remained similar to 2001. The Caribbean provides an important market for computers, computer components, and telecommunications equipment. Also, there is a large market for more traditional exports including agri-food products, mineral fuels, and petroleum oils. Canada's major imports from the Caribbean include bananas, clothing, and processed foods.

Imports from the Caribbean are eligible for duty-free access under CARIBCAN<sup>4</sup>. Products are eligible for duty-free status if at least 60% of the ex-factory price of the product originated in a Caribbean Commonwealth country or Canada. The agreement allows duty-free access for 96% of imports from eligible Caribbean countries. CARIBCAN sought to achieve the twin objectives of supporting traditional exports and stimulating new export-oriented production.

In 2002, the Canadian government announced duty-free access of imports from the world's 48 least developed countries. Haiti is the only country in the hemisphere to be included in this initiative. All products imported from Haiti are both duty-free and quota-free with the exception of supply-managed agricultural products.

Canada enjoys a strong trade relationship with Cuba, especially in the areas of tourism, mining, and agriculture. Cuba is Canada's largest trade partner in the Caribbean; in 2001, two-way trade totaled close to \$500 million. Trade between Canada and Cuba has increased by 85% since 1990. Canada's main exports to Cuba are computers, agri-food products, motor vehicles and parts, electronic equipment and sulphur. Cuba's main exports to Canada are ore, sugar, tobacco, seafood and copper. While there is no FTA in place between Canada and Cuba, Cuba's tariff levels are generally lower than other tariff levels in the hemisphere.

In the past year, Canadian exports to Cuba were affected by increased European competition and recent sales from the U.S. to Cuba. Competition is increasing in the agri-foods sector, where Cuba has been buying from the U.S. since December of 2001, to the detriment of many Canadian and European companies. Between January and October of 2002, Canada's exports to Cuba fell by 39% from the same time period in 2001.

Central America is also an important market for Canada. Canada's key exports to the region include agricultural products, telecommunications equipment, paper products, and plastics. Key imports include gold, coffee, clothing, agricultural products, and electrical machinery. In 2001, two-way trade between Canada and Central America was valued at \$510 million. Trade has more than doubled from its 1990 level of \$245 million and is expected to increase further with the conclusion of the FTA.

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<sup>4</sup> The countries included in the arrangement are Anguilla, Antigua & Barbuda, Bahamas, Bermuda, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St Kitts/Nevis, St Lucia, St Vincent & the Grenadines, Trinidad & Tobago, and Turks & Caicos Islands.

Since 1998, Canada and the Andean Community have been operating under a TICA. The TICA provides a framework for strengthening economic cooperation. In 2001, Canada exported \$1.0 billion to the region and imported close to \$1.4 billion. Canada imports petroleum products as well as iron and iron products, chemicals, rubber and plastics, coffee and other agricultural products. Canada's main exports include telecommunications equipment, paper products, electrical machinery and agricultural products.

Venezuela is an important partner due largely to oil; in Latin America and the Caribbean, it is Canada's third largest trading partner after Mexico and Brazil. In 2001, Canada exported \$591 million to Venezuela and imported a further \$874 million. Trade rules are governed by the TICA along with a 1997 Foreign Investment Protection Agreement. In 2001, a double taxation agreement was signed and will be implemented in 2003.

Colombia is another key trade partner. In 2001, two-way trade was approximately \$500 million. Canada imports a range of products from Colombia; top imports include coffee, bananas, coal, and cut flowers. Canada's leading exports include wheat, paper products, motor vehicles, and telecommunications equipment.

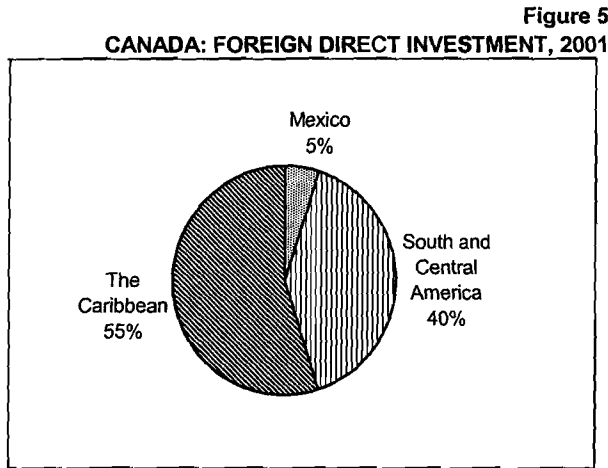
The Southern Cone Common Market (Mercosur), comprised of Argentina, Brazil, Paraguay, and Uruguay, is Canada's largest export market in South America. In 2001, two-way trade with Mercosur totaled \$2 billion. Following Mexico, Brazil is Canada's largest export market in Latin America and the Caribbean. In 2001, Canada exported \$591 million to Brazil, and imported \$989 million. Historically, Canada traded more with Brazil than with Mexico, but since 1997 exports to Brazil have fallen by almost 50%, while trade with Mexico has continued to grow. Canada's main exports include paper products, telecommunication and information technology equipment, agricultural products, electrical machinery, and natural resources. About 58% of Canada's exports to Brazil are in resource-based industries, and there is a growing share in machinery and electronics. Canada's main imports include agri-foods products, automotive parts, leather products, apparel, and pharmaceuticals.

A Canada-Mercosur TICA was signed in 1998. The TICA seeks to strengthen bilateral trade and investment relations, and includes a framework for collaboration in the negotiation of a range of multilateral agreements including the FTAA. In November of 2001, Uruguay held a "4+1" discussion of the TICA in an effort to develop the economic linkages between Mercosur and Canada.

As a result of the Canada-Chile Free Trade Agreement, Chile is becoming an increasingly important trade partner for Canada. Canadian imports from Chile rose from \$235 million in 1997 to \$414 million by 2001, over the same time period Canadian exports to Chile fell from \$283 million to \$238 million. Canada's main exports to Chile include machinery, cereals, paper products, and automobile parts. Canada's leading imports from Chile include fruits, wine, seafood and fish, and copper ores.

### III. Foreign Direct Investment

In the past decade, Canada's FDI in South and Central America grew almost 6-fold (583%). Canada's international investment position<sup>5</sup> in 2001 totaled \$13.6 billion. South and Central American investment represents 40% of the investment going to Latin America and the Caribbean. Mexico accounted for another 5%.



Source: ECLAC based on CANSIM Table 376-0051  
www.dfait-maeci.gc.ca/eet/pdf/CIIP01-en.pdf

been significant investment in Trinidad and Tobago's energy sector.

Mexico accounted for \$2.6 billion of FDI in 2001. Within Mexico, over 50% of the investment is in the manufacturing sector. Other priority sectors include energy, information and communications technology, agri-food, and automotive sectors.

Canada's key investments in the Andean region include natural resources (especially oil) and telecommunications development. While investment in this region remains relatively low, FDI in Peru has grown from \$10.9 million in 1993 to \$1.4 billion in 2001, predominantly in mining, hydro-electrical transmission, and banking. Canada heavily invested in Colombia's oil and telecommunications sectors.

The Caribbean is by far the largest recipient, receiving 55% of Canada's FDI in 2001. Barbados receives the largest amount of FDI, over \$15 billion. Most Canadian investment in the region is directed towards financial services, though there has recently

Table 3  
CANADIAN FOREIGN DIRECT INVESTMENT  
*Millions of Dollars*

|                      | 1990 | 2000  | 2001  |
|----------------------|------|-------|-------|
| <b>Latin America</b> |      |       |       |
| Argentina            | 105  | 3417  | 3594  |
| Bolivia              | na   | 31    | 30    |
| Brazil               | 1455 | 4315  | 3594  |
| Chile                | 244  | 3858  | 3638  |
| Colombia             | 21   | 546   | 561   |
| Costa Rica           | na   | 78    | na    |
| Ecuador              | na   | 164   | 160   |
| El Salvador          | na   | 40    | 39    |
| Guatemala            | 4    | 2     | 2     |
| Guyana               | na   | 98    | 99    |
| Jamaica              | 289  | na    | 207   |
| Mexico               | 210  | 2481  | 2597  |
| Panama               | 20   | 146   | 149   |
| Peru                 | na   | 1298  | 1423  |
| Uruguay              | na   | 30    | na    |
| Venezuela            | 46   | 235   | 136   |
| <b>The Caribbean</b> |      |       |       |
| Bahamas              | 1671 | 4889  | 5087  |
| Barbados             | 1245 | 14395 | 15078 |
| Bermuda              | 1507 | 4774  | 4839  |
| Cayman Islands       | 67   | 2607  | 3566  |
| Netherland Antilles  | 62   | 87    | 89    |

Source: ECLAC based on CANSIM 376-0051  
www.dfait-maeci.gc.ca/eet/pdf/CIIP01-en.pdf

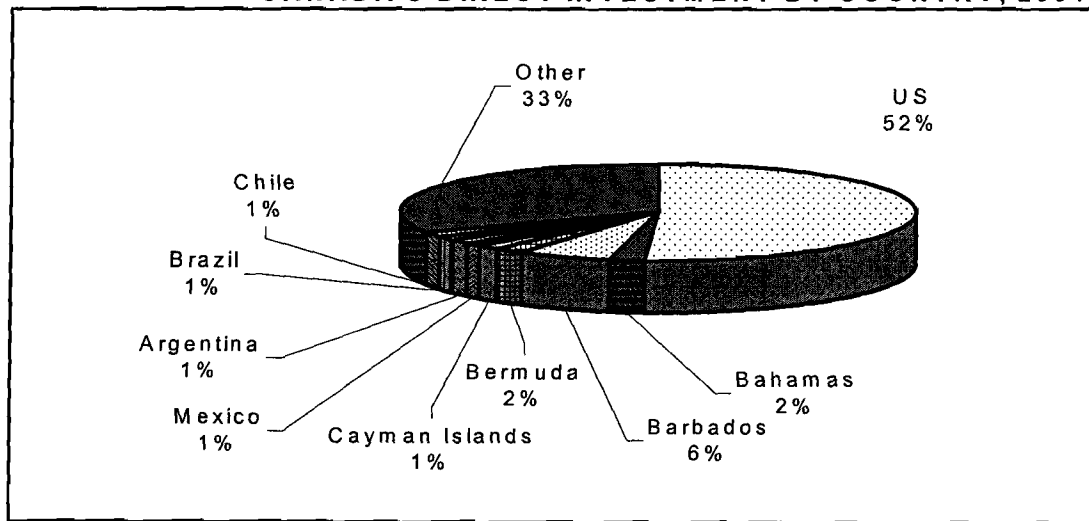
<sup>5</sup> Statistics Canada, Data Quality Statements, Reference Number 1537



In 2001, both Brazil and Argentina received over \$5 billion in FDI. Canada's investments in Brazil have tripled since 1992, to a level of \$5.6 billion in 2001. At the same time, Brazil's share of Canada's total investment in Central and South America has fallen from 60% in 1992 to only 26% in 2001, reflecting diversification of investments in Latin America and the Caribbean. Canada's investment focuses on natural resources including petroleum as well as telecommunications, agri-business, mining, and energy.

Finally, Canadian FDI in Chile was over \$3 billion in 2001; this represents an impressive 1068% rise over the past decade. Canada directs most of its investment to mining, energy, and information technology.

**Figure 6**  
**CANADA'S DIRECT INVESTMENT BY COUNTRY, 2001**



Source: ECLAC based on Statistics Canada