

## ECONOMIC ANALYSIS OF PROSPECTIVE FREE TRADE AGREEMENT(S) BETWEEN CANADA AND THE COUNTRIES OF THE ANDEAN COMMUNITY

June 2007

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### Executive Summary

In response to today's rapidly evolving global trading environment, the Government is committed to an aggressive bilateral trade negotiations agenda, which is supported by *Budget 2007* and the Government's economic plan, *Advantage Canada*. Consistent with the *Global Commerce Strategy* (GCS), the strategic international commerce framework in support of *Advantage Canada*, the Andean Community countries (Colombia, Peru, Ecuador, Bolivia) were identified as among the next trade partners with which Canada should pursue FTAs. The Government announced, on June 7, 2007, the launch of free trade agreement (FTA) negotiations in the Hemisphere, including with the Andean Community countries of Colombia and Peru.

Economic analysis, government-to-government exploratory discussions and consultations with domestic stakeholders reveal that free trade agreements with the prepared and interested countries of the Andean Community (Colombia and Peru) would have a number of potential benefits:

- Improve market access for Canadian exporters through the elimination of tariffs, reduction of non-tariff barriers and better management of sanitary and phytosanitary issues;
- Enhance trade and investment opportunities across a broad spectrum of sectors, including agriculture and agri-food, natural resources and information and communications technology (ICT);
- Enhance the stability and predictability of the investment climate in the region for Canadian investors, notably by building on and strengthening the recently signed Canada-Peru FIPA (2006) and the Canada-Ecuador FIPA (1997);
- Maintain the competitive position of Canadian exporters, which would otherwise be eroded when U.S. agreements with Peru and Colombia enter into force and when other competitors conclude similar agreements (e.g. the European Union);
- Create greater transparency, certainty, predictability and enhanced market access for Canadian service providers in areas such as financial, high-tech, mining and professional services;
- Facilitate the movement of business persons between Canada and the countries of the Andean Community;
- Broaden Canada's network of trade agreements in markets where its interests are similar to those of the U.S. with the objective of building on and promoting a competitive North American platform;
- Support Canada's broader foreign policy objectives in the Hemisphere by strengthening ties with countries that have taken great strides to improve economic stability and to open themselves up to integration within the Americas and beyond; and



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- Contribute to the shared goal of deepening development and economic integration in the Hemisphere through mutually supportive trade, labour and environmental practices.

At this time, Colombia and Peru are interested and prepared to work with Canada to negotiate a high quality free trade agreement. Canada will be prepared to consider the possibility of Ecuador and Bolivia joining this initiative at a later time.



**Economic Analysis of a Prospective Agreement between  
Canada and the Countries of the Andean Community**

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**1. Background**

Canada has an enduring connection with Latin America and the Caribbean, with historical ties initially based in commercial exchanges, and strengthened through people-to-people links and closer political ties. These connections have fostered a sense of community within the region. Our economies, societies, and the health and security of our citizens are inextricably intertwined.

Recognizing the importance of this relationship, Canada is in the process of renewing and strengthening its engagement in the Americas. The Government intends to grow and deepen Canada's presence in and contribution to the region by working with partners to strengthen democratic governance, address security challenges and enhance the prosperity of our citizens by increasing commercial and investment links.

Pursuing free trade with the Andean Community countries would demonstrate Canada's commitment to trade liberalization and support Canada's larger foreign policy, trade and development objectives of deepening our engagement in the Americas. Moreover, FTA negotiations provide a platform for dialogue and cooperation on such issues as labour and the environment and establish mechanisms that can facilitate future dialogue on a broad spectrum of issues.

Pursuant to the announcement of the launch of exploratory discussions in November 2002, Canada and the Andean countries met on four occasions to exchange information and views on the scope of possible free trade negotiations, most recently on December 14-15, 2006. The discussions were positive and allowed for a frank exchange of views on a wide number of issues that could be raised in the context of future FTA negotiations. At the December 2006 exploratory discussions, parties agreed to exchange further information related to a number of topics.

Canada remains interested in strengthening trade and investment ties with all countries of the Andean Community, but recognizes that not all Andean Community countries may be in a position to move forward on FTA negotiations at the same pace. In the near term, Canada intends to proceed on negotiations with Colombia and Peru, who have demonstrated that they are both interested and prepared to negotiate a comprehensive FTA, and with Bolivia and Ecuador at an opportune time. While all countries are discussed in this document, the emphasis will be on those countries with whom Canada plans to negotiate in the near term, namely, Colombia and Peru.

*Trade liberalization context*

Regional and bilateral agreements have taken on greater significance amidst an evolving international trading environment. Uncertainties associated with the successful conclusion of the World Trade Organization (WTO) Doha round of negotiation, along with other factors, have contributed to the proliferation of bilateral and regional trade agreement. In this context, major traders have been aggressively pursuing FTAs; perhaps most notably, the U.S. has concluded FTAs covering no fewer than 16 countries since 2001.



The intensified bilateral focus of key global traders has raised concern about the potential impact on Canadian exporters, whose competitiveness in established markets, such as Colombia and Peru, may be threatened by such deals. Such concerns include the possible erosion of Canada's market share in countries where our competitors have gained preferential access and the potential for Canada to lose influence in shaping the international trading rules of the future. Industry stakeholders, perhaps most vocally the agricultural export sector, have urged the government to engage in a more proactive FTA agenda.

In response to this rapidly evolving global trading environment, the Government has committed to an aggressive bilateral trade negotiation agenda, supported by *Budget 2007* and outlined in the Government's November 2006 economic plan, *Advantage Canada*. Consistent with the *Global Commerce Strategy* (GCS), the strategic international commerce framework in support of *Advantage Canada*, the Government announced on June 7, 2007, the launch of free trade agreement (FTA) negotiations in the Hemisphere, including with the Andean Community countries of Colombia and Peru. The Andean Community countries were identified as among the next trade partners with which Canada should pursue FTAs. This choice reflects the already significant level of Canadian business presence in the region (e.g. mining and financial sectors), the importance of these markets for several key sectors of the Canadian economy (e.g. agri-food, services) and the repeated expressions of interest in engaging in FTA negotiations by Colombia, Peru and, to a lesser extent, Ecuador.

#### *Trade liberalization efforts of the Andean Community countries*

The Andean Community countries have collectively and individually engaged in free trade initiatives with a number of countries in recent years.

The U.S. is the most important trading partner for each of the countries of the Andean Community, with the exception of Bolivia. In an effort to make permanent preferences extended under the Andean Trade Promotion and Drug Eradication Act (ATPDEA)<sup>1</sup>, Colombia, Ecuador and Peru entered into free trade negotiations with the U.S. in May 2004. The U.S.-Colombia and U.S.-Peru Trade Promotion Agreements (TPAs) were signed on November 22, 2006 and April 12, 2006 respectively. However, the U.S. Congress has yet to ratify these TPAs and thus their dates of entry into force remain unclear. The U.S. suspended negotiations with Ecuador in May 2006 and it is unclear whether FTA negotiations with the U.S. will recommence.

The Andean Community countries have also recently announced the launch of negotiations towards an "Association Agreement" with the European Union. In October 2004, in an effort to create a free trade area and expand commercial exchanges and eliminate trade barriers to reciprocal trade throughout the region, the Andean Community countries signed an Economic Complementarity Agreement with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay).

Colombia and Peru, in particular, have aggressive bilateral trade liberalization agendas. In addition to the U.S.-Colombia TPA, Colombia has signed an FTA with Chile (November

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<sup>1</sup> The U.S. Congress granted, in December 2006, a six-month extension of the ATPDEA for all four countries. Another bill has recently been introduced to extend the program through to September 2009; however, the prospects for its passage are not yet clear.

2006), has recently concluded FTA negotiations with Guatemala, Honduras and El Salvador and has begun formal negotiations with the European Free Trade Association (EFTA - Norway, Switzerland, Iceland and Liechtenstein). Free trade initiatives with Venezuela, Cuba, the Dominican Republic and Costa Rica are also in various stages of development.

For its part, Peru has recently concluded FTAs with Chile (signed August 2006), Thailand (signed November 2005), Mercosur (signed November 2005), and is currently negotiating with Singapore. Peru has announced new negotiations with China and has also begun FTA negotiations with EFTA.

Ecuador has discussed the possibility of negotiating an Ecuador-Mexico free trade agreement and is in the process of negotiating an FTA with Chile. Bolivia has FTAs in place with both Mexico (entered into force January 1995) and Mercosur (entered into force February 1997).

*Colombia and Peru: A commitment to reform and trade liberalization*

Canada seeks to strengthen ties with countries that have already taken significant strides to improve economic stability and to open themselves up to integration. Colombia and Peru have demonstrated their preparedness to engage in comprehensive FTA negotiations through efforts in recent years to modernize and liberalize their regulatory and trade environments and strengthen their economies.

Colombia

With the objective of stimulating economic growth and attracting foreign direct investment (FDI), Colombia has undertaken, over the last four years, a series of major reforms to develop a very competitive legal framework and investment regime as well as a good business climate. Colombia has made definite progress in the modernization and liberalization of its trade and investment regime through the adoption of ambitious reforms in many economic sectors as well as the adoption of a Law on Legal Stability. In addition, Colombia has undertaken an aggressive bilateral trade policy agenda with the objective of concluding, within the next four years, four new Free Trade Agreements as well as twenty Double Taxation Agreements with its main trade partners. These new agreements will contribute to enhance the predictability of Colombia's trade and investment regime as well as foster future growth prospects.

Colombia is seen to be at a crossroad with the capacity to move beyond more than 40 years of internal conflict and realize its social and economic potential. The government of President Uribe has made a determined effort to alter the equilibrium of the internal conflict, break the cycle of violence, and create a virtuous cycle of growth by improving the security situation in Colombia and generating greater confidence for consumers, businesses and investors. In 2006, Colombia has experienced an acceleration of its economic growth. Indeed, Colombia's GDP grew at more than 6.8% in 2006, the strongest economic growth since 1978. One of the pillars of this growth was the dynamism of the internal demand as well as an increase in local and foreign investments. For 2007, Colombia's Central Bank expects that the economy will grow at a rate between 5.5 and 6.5%.

The political and economic stability of the country as well as the government's commitment to carry out the reforms necessary to improve fiscal and economic conditions have sent positive signals to foreign exporters and investors and will likely stimulate an increase in FDI



in the country. Colombia reached in 2005 and 2006 the tipping point of 25% of GDP, a level of investment associated with sustained high rates of growth. In 2005, FDI in Colombia increased by over 220%, reaching a record of USD\$10.2 billion. In 2006, FDI in Colombia reached US\$6.3 billion.

### Peru

Peru has likewise made significant efforts towards strengthening the economy and liberalizing its trade regime. Peru has experienced a remarkable economic transformation since 2002, when its economy stagnated as a result of the Asian financial crisis and El Niño. The Toledo and Garcia Administrations have worked to consolidate macroeconomic stability and to adopt structural reforms to foster a climate friendly to private investment and business development. Recovery efforts have included a program of debt reduction and pursuit of currency stability, which have combined to insulate Peru's economy from external shocks and short-term political uncertainty.

Peru's transformation to a stable, competitive economy has been viewed positively by investors, and Peru is seen to be on the road to obtaining investment-grade status. As a result of Peru's positive investment climate and open foreign investment regime, as well as the establishment of ProInversion in 2002, which offers a single access point for investors, foreign investment into Peru grew from US\$9.5 billion at the end of 1999 to almost US\$ 15.5 billion in 2006. Furthermore, analysts suggest that the current boom in investment is more broadly based and has more domestic participation than a similar boom experienced in the mid 90's.

2006 saw GDP growth of an unprecedented 8%, driven by private investment, surging exports and an increase in domestic consumption. With this achievement, the Peruvian economy has sustained continuous month-to-month growth since the beginning of the Toledo government in 2001, averaging an annual growth of 6% in GDP. Analysts suggest that, in 2007, GDP growth could reach 7%. While Peru has experienced volatile growth cycles in the past, it is anticipated that continued market reforms, including newly-unveiled market-friendly macroeconomic and fiscal plans, will allow for stable GDP expansion. Examples of recent progress include work to address infrastructure bottlenecks, reduce non-wage labor costs, facilitate access to credit for small and medium enterprises, and to put in place a commercial court. The government has also worked to address issues of corruption in recent years, particularly in the judicial system, where recent appointments to the Supreme Court and the bodies supervising the courts have offered hope that changes are in the offing.

In addition, the current Garcia government has become a leading proponent of greater regional integration and is looking to the international market as the source of growth for the Peruvian economy. Garcia has championed the Andean Community, having adopted most, if not all, related legislation. Peru is also working towards increasing integration throughout Latin America through positive engagement with its Andean partners, its neighbour, Chile, and the Mercosur group of countries. Peru's support for regional harmony may position it well to advocate more widely for an approach to regional integration that respects free market principles and pursues cooperation while maintaining a commitment to social democracy.





## 2. The Andean Community economies

The Andean Community comprises four countries that voluntarily joined together for the purpose of achieving “more rapid, more balanced and autonomous development through Andean, South American and Latin American integration.”<sup>2</sup>

With a combined GDP of US\$279.6 billion and population of 94.4 million people, the Andean Community is growing in importance as a source of raw materials and agri-food products, and a destination for agricultural commodities, capital and consumer goods, and foreign direct investment.

The Andean countries have worked to address new challenges posed by globalization through trade liberalization and a common external tariff (CET), along with other mechanisms. To this end, a free trade area has been in operation since 1993, and a customs union was created in 1995. The completeness and effectiveness of the Andean customs union, however, remain weak. Colombia and Ecuador share the CET, but Bolivia maintains its own tariff and Peru does not participate.

### Colombia

Colombia is the largest of the Andean countries, with a GDP of US \$135.1 billion and a population of 43.6 million people. It is also the largest in terms of merchandise trade, achieving U.S. \$41.8 billion in two-way trade in 2005.

Goods exports totalled US \$21.7 billion in 2006, and were dominated by oil, coal, coffee and ferrous nickel. Growth in non-traditional export sales, such as chemicals, textiles, clothing, processed foods, machinery, equipment, metallic manufactures, gold, beverages, flowers, sugar and tobacco, has been driven by a rebound of sales to Venezuela following its economic crisis, and improved access to the U.S. market for textiles and clothing under the ATPDEA. Due to the predominance of commodities in its export mix, Colombia's export earnings are heavily dependent on commodity price fluctuations.

Goods imports amounted to US \$20.1 billion in 2005 and comprised mostly capital goods, raw materials and inputs for industry. Imports increased in all categories, as a result of currency appreciation and improved access to credit, with greatest growth associated with durable goods, transport equipment and capital goods. The rise in imports of capital goods was associated with investment recovery, a temporary tax break that encouraged businesses to retool as well as a dramatic improvement in the security situation of the country which generated greater confidence for consumers, businesses and investors.

The U.S. is Colombia's most important trading partner, accounting for 39.5% of Colombian exports in 2006, and 26.4% of imports (Source: Colombian National Administrative Department of Statistics). A further 30% of imports are supplied by Venezuela, Mexico, Brazil and China. FTAs with the U.S. (signed but not yet ratified), Brazil and Mexico have stimulated imports from these countries, while Chinese imports have become more attractive due to increased supply of competitive products.

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<sup>2</sup> Venezuela, originally an Andean member, announced its withdrawal in April 2006, pursuant to Colombia and Peru signing free trade agreements (FTAs) with the U.S. Venezuela is now a full-voting member of the Mercosur group of countries. Bolivia has also made a request to formally join Mercosur. It is not yet clear whether the Mercosur countries would allow Bolivia to hold double membership in the two trading blocks if permitted full entry to Mercosur.

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**Market Profile of the Andean Countries**

	<b>Colombia</b>	<b>Peru</b>	<b>Ecuador</b>	<b>Bolivia</b>
Population Source: CIA World Factbook	43.6 million (July 2006 est.)	28.3 million (July 2006 est.)	13.5 million (July 2006 est.)	9.0 million (July 2006 est.)
Gross Domestic Product (GDP) Source: IMF WEO database April 2007	US \$135.1 billion (2006 est.)	US \$93.3 billion (2006)	US \$40.4 billion (2006 est.)	US \$10.8 billion (2006)
Real GDP Growth Source: IMF WEO database April 2007	6.8% (2006 est.)	8.0% (2006 est.)	4.2% (2006 est.)	4.5% (2006)
Share of world GDP*	0.28%	0.19%	0.08%	0.02%
GDP growth forecast	6.3% (2006 est.) 5.5-6.5% (2007 est. by Banco de la Republica)	6.3% (2006)	3% (2006-2007)	3% (2007)
Private consumption (% GDP)	63.0%	66.1%	65.6%	66.0%
Government consumption (% GDP)	20.0%	10.2%	11.1%	14.3%
Origin of GDP (% of factor cost GDP)				
Agriculture:	13.09%	8.4%	7.0%	16.0%
Industry:	30.3%	26.8%	31.2%	35.2%
Services:	56.61%	52.9%	61.8%	52.0%
Exports of goods (fob)	US \$21.7 billion	US \$17.3 billion	US \$10.1 billion	US \$2.7 billion
Imports of goods (fob)	US \$20.1 billion	US \$12.1 billion	US \$9.8 billion	US \$2.2 billion
Principal exports	Petroleum & petroleum products; coal, coffee	Gold, copper, fishmeal, zinc	Oil and oil products, banana & plantain, flowers, canned fish	Natural gas, oil, zinc, soya
Main destinations of exports	US, Venezuela, Ecuador, Peru	US, China, Chile, Canada	US, Panama, Peru, Germany, Russia	Brazil, Venezuela, US, Argentina
Principal imports	Intermediate goods and raw materials, capital goods, consumer goods	Intermediate goods, capital goods, consumer goods	Raw materials, capital goods, consumer goods, fuel & lubricants	Raw materials, semi-manufacture, capital goods, consumer goods
Main sources of imports	US, Venezuela, Mexico, Brazil	US, China, Brazil, Ecuador	US, Colombia, Venezuela, Brazil, China	Brazil, Argentina, US, Chile

Source: Unless otherwise noted, all statistics are for 2005, and are drawn from Economist Intelligence Unit Country Reports (2006).

\*\*based on World GDP (official exchange rate) of \$48.1 trillion (2006)





## Peru

Peru has a population of 28.3 million people, an estimated GDP of US \$93.3 billion (2006) and GDP growth of 6.5% (2006 est). Trade is relatively underdeveloped in Peru, when compared with the size of the economy: exports of goods and services accounted for 20.9% of GDP in 2004, while imports accounted for 18.3% of GDP.

The mining and fisheries sectors were the principal sources of export earnings with main export destinations including the U.S., China, Chile and Canada. Mining exports (e.g. copper, zinc) accounted for 55% of merchandise exports in 2004. Peru was the world's largest exporter of fishmeal during the same year and also an exporter of canned, frozen and salted fish. Semi-processed agricultural products such as cotton, coffee and sugar are also among Peru's significant exports. Given the importance of primary products in export earnings, the Peruvian economy is exposed to shocks due to commodity price fluctuations or unfavourable weather conditions.

Non-traditional sectors have benefited from the ATPDEA, including the manufacturing (e.g. textiles, jewellery) and tourism sectors. Tourism is now the second most important earner of foreign exchange for Peru, after the mining sector.

Peru has experienced a trade surplus since 2002, largely due to growth in mining exports combined with rising commodity prices, and backed by strong demand from China and the U.S. Domestic demand has also risen over the same period, with increased spending on imports of capital goods related to mining, energy and construction projects. Peru's main imports include intermediate goods, capital goods and consumer goods, and are sourced largely from the U.S., China, Brazil and Ecuador.

Peru has a relatively liberal investment regime, with foreign investors receiving the same treatment as nationals. Foreign direct investment into Peru has been concentrated in large scale telecommunications, mining and natural gas projects, such as the privatization of Telefonica del Peru, the construction of the Antamina copper and zinc mine and the US \$1.6 billion Camisea natural gas project. According to ProInversión, Peru's privatization agency, the largest sources of FDI include Spain (US \$4.7 billion mainly in telecoms, energy, financial services), the U.S. (US \$2.6 billion mainly in mining, energy and financial services) and the UK (US \$2.3 billion mostly in mining, petroleum and telecoms). It is worth noting that much of the UK investment stock is in fact Canadian investment channelled through the British Virgin Islands.

## Ecuador

Despite being rich in human and natural resources such as oil, mineral deposits and fertile land, Ecuador, with a population of 13.2 million people, remains one of the less developed countries of the Americas. Ecuador's GDP is currently estimated at US \$40.4 billion.

Oil and export-oriented agriculture comprise the main pillars of Ecuador's economy. Goods exports in 2005 totalled \$10.1 billion and were mainly in the oil, fruit (bananas), petroleum, seafood, metal goods and cut flowers industries. In 2005, Ecuador exported an average of 360,000 barrels of oil per day, and was the leading banana exporter in the world. The main destination of exports was to U.S. followed by Panama, Peru and Germany. Given the predominance of commodities in Ecuador's export mix, the economy is relatively vulnerable to external shocks.



Imports for the same year amounted to \$9.8 billion, largely comprising raw materials, capital goods, consumer goods and fuel. The main sources of imports were the U.S., Colombia, Venezuela and Brazil. While domestic consumption has increased since 2000, corresponding growth in domestic output has not occurred, leading to a rise in imports.

Ecuador is one of the most open economies in the region, having undergone rapid trade liberalization in the 1990s. Duties range from 0% to 20%, with significant duties remaining on consumer goods (20%) and automobile imports from outside the Andean Community (35%). While Ecuador has made efforts towards regional integration in Latin America and increased trade with its Andean partners, trade deficits with countries in the region persist due to competitiveness challenges.

Investment inflows into Ecuador experienced a sharp rise in the mid-1990s due to simplified investment procedures through the Foreign Investment Law in 1993 and the introduction of “production-sharing contracts” (PSCs) in the oil sector. FDI has traditionally come from the U.S., Canada, Europe and other countries in the Americas and is concentrated mostly in the oil sector (~80%), but also in the manufacturing (e.g. food, chemical, timber processing) and mining sectors. Political and economic instability have deterred FDI inflows to other sectors.

## **Bolivia**

Bolivia is the smallest economy of the Andean Community, with a GDP of US \$10.8 billion in 2005, and a population of 8.5 million people. Two-way merchandise trade is relatively weak at US \$4.9 billion.

With goods exports totalling US \$2.7 billion and imports amounting to US \$2.2 billion in 2005, Bolivia currently has a positive trade balance approaching US \$0.5 billion. This is a result of weak domestic demand, growing exports of natural gas, improved access to the U.S. market through ATPDEA and higher prices for minerals on international markets.

Whereas the U.S. is the principal trading partner for the other countries of the Andean Community, Bolivia trades predominantly with Brazil; Brazil is a destination for Bolivia’s natural gas exports and a key source of raw materials and semi-manufactured goods. The construction of an import-intensive US\$2.2 billion Bolivia-Brazil gas pipeline and related infrastructure (approved by the World Bank in 1997) resulted in a surge of foreign direct investment along with increased merchandise trade between the two countries.

Privatization has been a key factor in Bolivia's economic growth in the past, although this activity has slowed due in part to the government’s May 2006 nationalization program which ended private ownership of hydrocarbon reserves and commercialization rights.

Significant uncertainty exists for foreign investors in the Bolivian mining sector. The Government of Bolivia promised a new mining policy, to be set out by the end of October 2006. However, President Morales announced that the administration’s plans for reform and “mining reactivation” would be postponed until sometime in 2007. Mining investors fear nationalization of the sector, similar to that in oil and gas industry. In spite of this uncertainty, the country is currently experiencing a boom, with several major mining projects slated for completion in 2007.



The U.S., Brazil, Italy and the UK are significant investors in Bolivia and have seen their share of imports of goods and equipment increase as a result. Further diversification in trade has resulted from trade liberalization with Andean partners, as well as China's growing demand for Bolivia's commodity exports.

### **3. Canada's bilateral trade and investment relationship**

The Andean Community countries are significant trade and investment partners for Canada and FTAs with these countries are expected to open up new opportunities in these areas.

In 2006, Canadian merchandise exports to the four Andean countries totalled \$889 million while imports from them amounted to \$2.9 billion (Annex A). Colombia and Peru, in particular, are significant and growing destinations for Canadian exports, especially in the agri-food, machinery and equipment sectors. The combined stock of Canadian direct investment in Colombia, Peru, Ecuador and Bolivia is estimated at \$3.5 billion (2006).

#### **Colombia**

Colombia is an established market for Canadian products, with the agri-food sector being of significant importance. Two-way trade in goods between Canada and Colombia totalled \$1.14 billion in 2006, with Canadian domestic merchandise exports increasing by 9% over the previous year to \$447 million. Over the same period, imports from Colombia increased by 9% to \$634 million. Major Canadian exports consist of cereals, paper (newsprint), off-road dump trucks, copper wire, machinery and electrical equipment and leguminous vegetables. Top imports to Canada from Colombia include coal, fuel, coffee, bananas, cut flowers and sugars.

Canadian direct investment stock in Colombia amounted to \$453 million in 2006 according to official statistics, and has been concentrated in the oil exploration, mining, printing, footwear, food processing, education and household paper sectors. The Embassy estimates that the current stock of Canadian investment is significantly higher (\$3 billion). This estimate takes into account that a majority of Canadian investments are made through offshore financial centers and/or countries with which Canada has tax treaties (this is especially the case for the oil, gas and mining sectors). A preliminary survey undertaken by the Embassy revealed that Canadian investors are seizing investment opportunities in Colombia, with more than US\$2 billion in planned investment over the next two years. This survey also confirms an increasing flow of Canadian direct investment, particularly in the acquisition of property and exploration rights in the oil & gas and mining sectors.

Canadian commercial services exports to Colombia totalled \$17 million in 2004. Canada's key services interests in Colombia include oil and gas, mining services, engineering services, architectural, environmental services, distribution services and information technology.

#### **Peru**

Canada's trade in goods with Peru has expanded significantly in the past years. The value of Canadian domestic merchandise exports to Peru was \$267 million for 2006, representing an increase of 10% over the previous year. Imports totalled \$2.1 billion, an increase of 54.5% over 2005. Major Canadian merchandise exports to Peru are cereals, machinery,

electrical equipment, leguminous vegetables and paper. Major imports from Peru consist of gold, copper and other ores, asparagus and fishmeal.

Canada is Peru's most important foreign direct investor in the mining sector and among the largest overall foreign investors with an estimated \$2.9 billion of investment stock in Peru as of 2006. The banking and printing sectors are also significant destinations for Canadian direct investment in Peru. Recognizing this important relationship, the Canada-Peru Foreign Investment Protection and Promotion Agreement (FIPA) was signed on November 2006. Peru's total investment in Canada is very small, at only \$1 million in 2002 (the last year for which figures are available).

Peru was the destination for \$46 million of Canadian commercial services exports in 2004. Canada's key services interests in Peru include oil and gas, mining services, engineering services, architectural services, environmental services, distribution services, financial services and information technology.

### **Ecuador**

Two-way trade between Canada and Ecuador amounted to \$289 million in 2006. Canadian domestic merchandise exports to Ecuador totalled \$151 million and consisted primarily of wheat, leguminous vegetables, machinery and equipment, newsprint and paper. Canadian imports from Ecuador totalled \$131 million in 2006 and consisted mainly of bananas, cut flowers and fish and seafood.

A Foreign Investment Protection and Promotion Agreement (FIPA) between Canada and Ecuador came into force on May 1997. Statistics Canada indicates that Canadian direct investment stock into Ecuador registered \$46 million in 2006.

Canada's commercial services exports to Ecuador grew from \$2 million in 2000 to \$26 million in 2004, largely as a result of investments in the oil and gas and mining sectors. Canada's key services interests in Ecuador include oil and gas, professional services and research and development.

Ecuador's willingness to negotiate a high quality free trade agreement with Canada at this time is unclear.

### **Bolivia**

Canada has limited trade with Bolivia, with two-way trade in merchandise amounting to \$75 million in 2006, of which Canadian domestic merchandise exports to and imports from Bolivia totalled \$24 million and \$49 million respectively. Canadian primary exports to Bolivia include machinery, cereals, electrical equipment and trucks, while primary imports from Bolivia include silver ores, silver, tin, wood, and edible fruit and nuts.

Canadian direct investment stock into Bolivia was estimated at \$87 million in 2006, largely concentrated in the mining sector, while Bolivian direct investment into Canada was negligible.



Canada exported \$12 million in commercial services to Bolivia in 2004. Canada's key services interests in Bolivia include professional services, research and development and oil and gas.

#### **4. Market access**

While the Andean Community countries have achieved significant market liberalization, obstacles and rigidities remain a problem in some areas. An FTA could address high tariff levels on key Canadian exports, import procedures, non-tariff barriers, as well as restrictions on cross-border trade in services and investment.

An FTA would also offer the means to create mechanisms that allow for the early identification of issues and timely consultations to address specific issues, so as to minimize the risk of future trade barriers and promote joint cooperation.

Free trade agreements provide additional areas of potential benefit to Canadian exporters and consumers, which include, for example: rules of origin that ensure the benefits of the FTA flow only to goods qualifying as originating in the territory of either or both countries; establishment of effective customs procedures to administer and enforce the FTA's rules of origin; and the reduction of administrative and transaction costs for businesses through trade facilitation measures.

##### **i) Goods**

###### **Colombia**

Colombia has an overall most-favoured nation (MFN) applied tariff rate of 12% (11% on industrial goods and 17% on agriculture products). A reduction in tariffs could result in an increase of trade in products of export interest to Canadian agricultural producers and industrial manufacturers.

In the agricultural sector, the commodities that are likely to benefit the most from a free trade agreement with Colombia are wheat, barley, lentils and peas. Despite tariffs of 15%, Canadian exports of these products have been able, over the years, to capture a significant share of Colombia's market. This market position could soon be eroded, however, if the U.S.-Colombia TPA enters into force and competing U.S. exports of these goods receive duty-free treatment. In order to maintain and improve their competitive position vis-à-vis their U.S. counterparts, Canadian producers will need duty-free access to Colombia's market. A lowering of Colombia's high tariffs on pork (20%) and beef (5-80%) could also help Canadian producers to develop these markets further.

Canada's main industrial export to Colombia is newsprint, which already benefits from duty-free access. Other important merchandise exports are capital goods such as off-highway dumpers used in resource-extracting activities and various machinery and equipment products. While Colombia maintains tariffs on these products that can be as high as 20%, many of these Canadian exports may actually not be assessed any duty under Colombia's duty remission program for imported capital goods. However, eliminating the tariff on these goods would still be beneficial in providing Canadian exporters with more predictability regarding the tariff treatment they can expect in the Colombian market.

The vast majority of goods imported from Colombia already enter Canada free of duty.





These include coffee, coal, bananas, fuel oil, and raw sugar, which together account for more than 70% of total Canadian imports from Colombia (2005).

Fresh cut flowers are the most important dutiable imports from Colombia. Despite tariffs ranging between 6-10.5%, Colombia is the source of about 50% of all imports of cut flowers in Canada. With its favourable climate, low production costs, and adequate distribution infrastructure, Colombia has a clear comparative advantage in this non-traditional agricultural production and ranks as the second largest exporter of fresh cut flowers in the world. The Canadian floriculture sector, for which production is concentrated in Ontario (51%), British Columbia (23%) and Quebec (12%), recorded sales of \$1.4 billion in 2004. This compares with imports from Colombia averaging \$59 million annually for the period 2004-2006. The elimination of tariffs on fresh cut flowers from Colombia could nonetheless represent a challenge for Canadian producers who would need to adapt to a more competitive environment. Canadian consumers, on the other hand, could benefit from lower prices for these products.

Canada also maintains a tariff of \$30.86/tonne on refined sugar imported from Colombia. While the value of these imports has been small traditionally, it has been increasing in recent years to reach \$8 million in 2006, or about 14,000 tonnes. This represents, however, less than 1.5 percent of the annual Canadian production of refined sugar, which is estimated at 1.1 million tonnes. The impact of a reduction in tariffs on imports of refined sugar from Colombia could, however, be lessened by the continued development of Colombia's ethanol production industry.

The value of industrial products imported from Colombia that still face Canadian tariffs is relatively small compared to the value of overall imports. These imports are mostly concentrated in the textile and apparel sector and include gimped yarns (8% tariff) and woven and knitted apparels (17-18% tariff). The value of these imports was averaging \$22 million annually for the period 2004-2006.

Please see Annex B for further information on Canada's key exports and imports to/from Colombia.

## Peru

As with Colombia, the most significant market access benefit for Canada of a Canada-Peru FTA would be to secure a level playing field in sectors of export interest to Canadian industries. Should the U.S.-Peru TPA come into force, exports of wheat, which comprise 38% of Canada's total exports to Peru, will continue to face a 17% tariff, while U.S. wheat exports would receive immediate duty-free treatment. Canada will also continue to be subject to high tariffs on pulses (lentils, peas, beans), while U.S. producers would receive immediate duty-free treatment for lentils and peas and tariff elimination over five years for beans. Other products for which an FTA would level the playing field include high quality beef cuts, canary seed, animal and vegetal fats and oils and frozen french fries.

A reduction in Peru's tariffs could also contribute to increase the competitiveness of Canadian exports of industrial products such as machinery and equipment, paper, oil and plastics and rubber. Peru currently maintains tariffs of 4% to 12% on these types of goods. Lower tariffs could notably create opportunities in sectors of Canadian expertise, such as the supply of mining and hydro-electrical transmission equipment.





Given that nearly all goods imported from Peru already enter Canada free of duty (more than 97% of Peruvian imports entered duty-free in 2006), the marginal impact of an FTA with Peru in terms of increased import competition for Canadian industries is expected to be very small. In fact, apparel is the only sector for which dutiable trade occurred with Peru in recent years. Despite tariffs of 18%, Canada imported about \$23 million of Peruvian knit apparel annually, between 2003 and 2005. This, however, represents less than 0.8% of Canadian apparel imports from the world.

Please see Annex C for further information on Canada's key exports and imports to/from Peru.

## **Ecuador**

As for the other Andean countries, Ecuador is an important importer of Canadian wheat. Canadian wheat exports, which represent about 45% of Canada's overall exports to Ecuador currently face a 10% tariff, and Canadian producers stand to gain a significant advantage over wheat exports from other regions in a free trade agreement. Canadian agricultural exporters could also benefit from improved market access in a number of other sectors, including leguminous vegetables, barley, beef and pork.

Canada would also seek to gain preferential access in a number of industrial sectors in which our exporters currently face tariffs of 5-20%, such as machinery and equipment, paper, and plastics and rubber.

Most imports from Ecuador (about 70%) already enter Canada free of duty. These consist primarily of bananas, other tropical fruits and fish and seafood. Fresh cut flowers are the most important dutiable imports from Ecuador. Despite Canadian tariffs ranging between 6-10.5%, Ecuador is the source of almost 25% of all Canadian imports of fresh cut flowers. As for Colombia, Ecuador, with its favourable climate, has a clear comparative advantage in this production.

Please see Annex D for further information on Canada's key exports to Ecuador.

## **Bolivia**

Two-way trade between Canada and Bolivia is limited at \$73 million as of 2006 (Bolivia ranked as Canada's 108<sup>th</sup> trading partner in 2006). For these reasons, Canada has no significant export interests in this market as well as no domestic import-sensitive sectors that could be threatened by Bolivian imports.

Please see Annex E for further information on Canada's key exports to Bolivia.

### **ii) Non Tariff Barriers**

There are also a number of non-tariff measures that are distinct to each country which may need to be addressed as part of the negotiations.

#### *Technical Barriers to Trade*

While difficult to quantify, Canadian industry cites non-tariff barriers, such as technical barriers to trade, as one of the greatest challenges to achieving market access



internationally. Indeed, as tariffs reduce, non-tariff barriers are becoming increasingly important challenges to trade. As a result, Canada will seek to ensure that non-tariff barriers are addressed effectively under an FTA by: promoting non discrimination; promoting good regulatory practices including transparency, the use of international standards or their relevant parts and the streamlining of conformity assessment procedures; and, seeking the creation of a mechanism to address specific technical barriers to trade. The effective management of technical barriers to trade will help to facilitate market access for Canadian industry and exporters.

#### Sanitary and Phytosanitary Barriers to Trade

Over the past few years, Canadian agricultural exporters have raised concerns about several sanitary and phytosanitary (SPS) restrictions imposed by the Andean Community countries. Currently, all of the Andean Community countries maintain BSE-related bans on Canadian beef and cattle. Some of these countries also maintain restrictions against Canadian poultry. Canada will be seeking an effective means to manage SPS issues on a timely basis and to avoid trade problems.

### **5. Cross-border trade in services and investment**

#### Services

##### **Colombia and Peru**

An FTA with the Andean countries would clearly provide a significant advantage to Canadian service providers as compared to other WTO Member countries not having FTAs with the Andean countries.

The U.S.-Colombia Free Trade Agreement and the U.S.-Peru free trade agreements will have implications for Canada's services providers if ratified and implemented. The commitments made by Peru and Colombia in their respective agreements with the United States well exceed those made in their revised WTO General Agreement on Trade in Services (GATS) offers (22 June 2005 and 21 July 2005 respectively).

In spite of the difficulties associated with comparing the positive list approach of the GATS with the negative list approach found in the U.S.-Peru FTA and the U.S.-Colombia FTA (and also the NAFTA), there is evidence that the U.S. received significantly more liberal treatment from both these countries than was received by WTO Members in their revised GATS offers. In a recent study by the WTO on Members GATS commitments versus their services commitments in regional FTAs, Colombia and Peru were shown to have some of the largest gaps between their FTA commitments and GATS offers in terms of improved and new bindings.

In the two FTAs, the United States received more liberal treatment than WTO Members in almost every service sector. This would include sectors of particular interest to Canadian service providers such as environmental services, financial services, certain professional services and energy/mining services. The absence of bound commitments in these areas in both countries' GATS schedule puts Canada at a disadvantage *vis-à-vis* U.S. service providers.



Moreover, looking at the framework of the cross-border services section of the U.S.-Colombia and U.S.-Peru FTAs, elements such as transparency, domestic regulation and recognition of professional services are incorporated. The inclusion of these disciplines is another way in which this agreement goes beyond the GATS, extending further preferential treatment to the United States over other WTO Members in Colombia and Peru (and also in the United States). These elements can be a crucial part of creating a stable business environment, extending predictability to foreign service providers in host markets. Canadian exporters would further benefit from an FTA with Peru and Colombia in terms of improvements in the temporary entry of business persons, which will allow for facilitated access of Canadian business persons into these markets.

### **Bolivia and Ecuador**

To provide an initial indication of interest in respect to market access, Canada's bilateral request to Bolivia in the WTO GATS context covers professional services, research and development services, oil and gas services, horizontal commitments (Modes 1, 2 and 3) and the movement of natural persons (Mode 4). Canada's bilateral request to Ecuador covers research and development services, oil and gas services and movement of natural persons. Neither Ecuador nor Bolivia has GATS offers on the table for this Round - Bolivia had originally submitted initial and revised offers but has withdrawn them both.

Bolivia's existing GATS Uruguay Round commitments are minimal with coverage of the following sectors: Tourism and Travel Agency services, Recreational, Cultural and Sporting services, Telecommunication services and Financial services. Ecuador's existing GATS commitments are also quite limited with coverage of the following sectors: Professional services, Communication services, Construction and Engineering services, Distribution services, Financial services, Tourism and Travel services and Transport services. It can be presumed that sectoral coverage in an FTA with both Bolivia and Ecuador would extend significantly beyond what these countries have committed to in the GATS.

Canadian exporters would benefit from improvements in rules designed to increase transparency of regulations, broader access through temporary entry for business persons including a range of service providers and investors, as well as frameworks for the negotiation of mutual recognition agreements and provisions respecting professional licensing, and qualification requirements and procedures.

### *Financial Services*

The Andean countries are generally quite open to foreign financial service providers and ongoing reform efforts are providing greater market access opportunities. However, notable restrictions remain on the cross-border provision of financial services in the four Andean countries, while regulatory regimes would benefit from increased transparency and predictability. Colombia does not currently allow foreign banks or insurers to operate through branches, and reserves the right to subject foreign financial institutions seeking to establish in Colombia to an economic needs test.

While the Andean Community is generally not a priority market for Canadian financial institutions, one Canadian bank has made an investment in Peru that is expected to result in it holding an 80% stake in that country's third largest bank. No particular concerns relating to this institution's operations or ability to expand have been identified.

A high quality financial services chapter similar to the one adopted in the NAFTA would provide Canadian financial institutions increased certainty and predictability; increased market access; increased transparency; national treatment; and most favoured nation provisions.

### Investment Environment

Investment rules in an FTA based on Canada's model Foreign Investment and Protection and Promotion Agreement (FIPA) would provide Canadian investors greater stability, transparency and protection for their investments. The transparency of non-discriminatory regulatory measures seen as barriers to investment could also be improved in the investment chapter of an FTA.

### **Colombia**

Recently the Colombian government has taken steps to improve business liberalization, economic growth and the investment environment, therefore, creating a greater sense of confidence on the part of foreign investors. Canadian companies have demonstrated an increasing interest in Colombia's oil and gas and mining sectors. Canadian FDI in Colombia is projected to reach over US\$5 billion over the next two years (Source: Embassy of Canada to Colombia).

The U.S. has concluded FTA negotiations with Colombia, and is currently taking steps to ratify this agreement. Canada's approach to investment in the context of an FTA is very similar to that of the U.S. Accordingly, we are seeking a high standard investment chapter and are expecting a high likelihood of engagement. Canada is seeking an investment chapter that is based on the NAFTA and modifications we have made to our FIPA model as a result of lessons learned from our experience with the implementation and operation of the investment chapter of NAFTA. This approach is comparable to Colombia's recently signed FTA with the U.S.

Typically, an investment chapter would include provisions on National Treatment, MFN, minimum standard of treatment in accordance with principles of international law (e.g. fair and equitable treatment and full protection and security), protection from expropriation without fair and prompt compensation and the freedom to transfer capital related to an investment and improved investor-state dispute settlement provisions.

### **Peru**

Canada is one of the largest foreign investors and the largest investor in Peru's mining sector. In 2005, Peru attracted the lion's share of Canadian investment in the region. The Foreign Investment Protection and Promotion Agreement (FIPA) signed on November 14th, 2006, is the first agreement Canada has negotiated on the basis of Canada's new model FIPA. The FIPA is considered a key factor in the continued growth of Canadian investment in mining and other sectors, such as, banking, oil and gas, electrical power and printing.

Canada's goal would be to negotiate a high standard investment chapter in an FTA which would be based on the Canada-Peru FIPA. This would also be in line with the U.S.-Peru FTA.



## **Ecuador**

While Ecuador's political and economic environment have been relatively unstable in the past year, Canada remains Ecuador's second largest foreign investor in 2005, after the United States.

A Foreign Investment Protection and Promotion Agreement (FIPA) between Canada and Ecuador came into force on May 1997 and a double taxation agreement (DTA) between Canada and Ecuador entered into force on January 2002.

In negotiating an investment chapter as part of an FTA, Canada's intention would be to build on and strengthen the investment provisions of the existing Canada-Ecuador FIPA. At this time, Ecuador has not been able to make any commitments with regards to substantive issues of an FTA with Canada as a new government has recently taken office in mid-January 2007. FTA/FIPA architectural considerations need to be addressed.

## **Bolivia**

Canadian investors in Bolivia are increasingly concerned about Bolivia's plan to nationalize the mining sector in 2007. Canadian companies are largely invested in the mining sector, particularly gold exploration and extraction. The nationalization process of the oil and gas sector is well advanced; however, Canadian companies were not affected, as there are no Canadian investments in this sector in Bolivia. Canadian investors remain concerned about the stability of the current regime and its intended move away from market oriented economic policies.

## **6. Other areas**

An FTA would seek to ensure that each party maintains measures to proscribe anti-competitive business conduct and takes appropriate action, so that the benefits of trade and investment liberalization are not undermined. FTA obligations can assist in opening up markets in which procurement by the government is an important or dominant component. FTAs also contain procedures for the avoidance and settlement of disputes.

In addition, an FTA also provides scope to explore new or improved approaches to trade policy in areas such as telecommunications, electronic commerce, and intellectual property rights, which in turn can promote investment and innovation and support market access gains in many sectors of the economy. As it has in most FTAs to date, Canada will pursue appropriate provisions regarding the environment and labour in the context of the FTA negotiations.

## **7. Canadian domestic consultations**

In November 2002, the Government of Canada embarked on a comprehensive consultation process with the Canadian public, provinces and territories, businesses and non-governmental organizations to seek input and to help define the scope of a potential free trade initiative with the Andean Community.

The vast majority of responses across a broad cross-section of the Canadian economy were favourable and included support from sectors such as agriculture and agri-food, fisheries, biotechnology and service providers (including financial services), though concerns were



raised by the sugar sector, particularly over the potential implications of increasing market access for refined sugar. A number of provinces and territories also signalled their support during the consultations, and generally echoed the interests of industry.

Further to the formal public consultations process, Canadian business continues to express a high level of interest in engaging in FTA negotiations in the region: Canadian agri-food exporters, the mining industry and financial services sector have all urged the Government to consider the merits of entering free-trade discussions with one or more of the Andean countries.

Meanwhile, some stakeholders have expressed preoccupations over negotiating an FTA with countries where the human and labour rights situation is of concern. Others have questioned the efficacy of negotiating FTAs with relatively minor trade partners at the expense of similar negotiations with such major trading partners as China, Japan and India. Environmental concerns have also been expressed during the consultation process.

The Government of Canada will continue to consult Canadians on the proposed free trade initiative with the Andean countries to ensure that stakeholders remain apprised of developments and that their interests and concerns are understood and taken into account.



**ANNEX A – Canada-Andean Community Trade Relationship**

**Canadian imports from the Andean Community (CAD millions)**

	2002	2003	2004	2005	2006
Gold and Other Precious Metals	5	2	132	900	1129
Ores (Copper, Zinc, Silver, Lead)	156	113	154	185	463
Coal and Fuel Oil	127	80	129	210	379
Bananas and Other Tropical Fruits	168	152	131	157	175
Copper and Articles Thereof	0	12	24	118	175
Coffee	113	100	108	150	147
Cut Flowers	81	78	85	89	91
Fish Flour	43	39	37	26	43
Steel Casing	3	6	14	18	39
Sugars	9	37	17	12	37
Asparagus and other vegetables	13	20	22	28	33
Knit Apparel	16	20	25	27	31
Fish Fats and Oils	15	19	22	24	16
Tin	10	7	14	12	16
Preserved Food	8	8	10	12	16
Fish and Seafood	15	19	14	11	16
Machinery	4	4	8	11	11
Woven Apparel	3	5	7	12	8
Others	72	69	72	78	74
<b>Total</b>	<b>861</b>	<b>790</b>	<b>1025</b>	<b>2080</b>	<b>2899</b>

**Canadian domestic exports to the Andean Community (CAD millions)**

	2002	2003	2004	2005	2006
Cereals	236	180	264	227	277
Machinery	52	58	76	100	102
Newsprint and Paper	96	84	101	107	99
Off-Highway Dumpers	2	17	17	53	58
Leguminous Vegetables	61	50	58	58	46
Electrical Machinery	18	21	27	30	44
Fertilizers (potassium chloride)	24	24	27	39	32
Copper Wire	13	11	15	17	26
Optical Material	14	6	9	10	16
Plastics	9	13	12	16	14
Iron/Steel Products	4	7	7	12	12
Oil	3	23	2	21	10
Animal Blood	1	1	1	14	3
Zinc Ores	5	2	0	8	0
Others	68	57	83	96	151
<b>Total</b>	<b>614</b>	<b>561</b>	<b>705</b>	<b>818</b>	<b>889</b>

## ANNEX B – Canada-Colombia Bilateral Economic Relationship

### MERCHANDISE TRADE

#### Top Canadian Domestic Exports to Colombia (CAD Millions)

	Colombian Tariff	U.S. Treatment in U.S.-Colombia TPA	2004	2005	2006	3-yr Avg	Share of Cdn exports to Colombia*	Share of Cdn exports to the World
Wheat	15%	Free immediate	108	60	72	80	22%	2.50%
Newsprint and paper	Free for newsprint; 15% on other paper	Free over 5 years	69	75	59	68	19%	<1%
Machinery & equipment	0-20%	Free immediate to free over 10 yrs	35	41	57	44	10%	<1%
Off highway dumpers	15%	Free immediate	14	52	54	40	8%	22%
Pulses	15% on lentils/peas; 60% on beans	Free immediate for lentils/peas; TRQ for beans (free over 10 years)	40	32	29	34	10%	4%
Potassic	5%	Free immediate	15	28	24	22	6%	1%
Copper wire	5%	Free immediate	13	17	26	19	3%	2%
Barley	15%	Free (in 2009)	18	5	12	12	3%	3.50%
Various plastic & rubber	5-20%	Free immediate to free over 10 yrs	10	10	8	9	3%	<1%
Various textiles	5-20%	Free immediate	8	6	4	6	2%	<1%
Animal blood (for animal feed)	5%	Free immediate	1	14	2	6	1%	65%
Pork	20%	Free over 5 years	2	3	2	2	1%	<1%
Beef	5%-80%	Free immediate for prime grades; TRQ for other grades (free over 15 years)	0	2	0	1	1%	<1%

\*Based on three-year average



**PROSPECTIVE FREE TRADE AGREEMENTS WITH ANDEAN COMMUNITY COUNTRIES  
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**Top Canadian Imports from Colombia (CAD Millions)**

	Canadian Tariff	Colombia treatment in U.S. -Colombia TPA	2004	2005	2006	3-yr Avg.	Share of Cdn imports from Colombia*	Share of total Cdn Imports from World*
Coal	Free	Free	74	143	129	115	21%	9%
Coffee	Free	Free	88	125	117	110	20%	18%
Bananas	Free	Free	64	87	94	82	15%	29%
Fuel oil	Free	Free immediate	51	67	75	64	12%	2%
Cut flowers	6-10.5%	Free immediate	57	60	61	59	11%	50%
Steel casing for oil drilling	Free	Free	10	14	37	20	4%	5%
Raw cane sugar	Free	Free immediate for quota of 50KT growing by 750T each year	7	0	22	10	2%	4%
Gimped yarn	8%	Free immediate	7	7	6	7	1%	25%
Refined sugar	\$30/t (equivalent to 7%)	Free immediate for quota of 50KT growing by 750T each year	5	7	8	7	1%	30%
Men's/boy's jackets/trousers	17-18%	Free immediate	2	6	4	4	1%	<1%
Sugar candy	5%	Free immediate	3	3	3	3	1%	1%
Other T & A	-	Free immediate	11	13	10	11	2%	<1%

*Source: Statistics Canada*

\*Based on three-year average.



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**SERVICES**

**Trade in services – Canadian exports to Colombia (CAD millions)**

	2000	2001	2002	2003	2004
Travel	19	18	18	17	25
Commercial services	31	31	20	28	17
Transport and government services	14	14	13	12	16
<b>Total</b>	<b>64</b>	<b>63</b>	<b>52</b>	<b>56</b>	<b>59</b>

*Source: Statistics Canada*

**Trade in services – Canadian imports from Colombia (CAD millions)**

	2000	2001	2002	2003	2004
Travel	26	27	15	23	20
Commercial services	13	13	9	7	8
Transportation and government services	12	9	8	9	8
<b>Total</b>	<b>50</b>	<b>48</b>	<b>31</b>	<b>40</b>	<b>35</b>

*Source: Statistics Canada*

**INVESTMENT**

**Bilateral investment stock (CAD millions)**

	2002	2003	2004	2005	2006
Canadian direct investment in Colombia	708	270	392	344	453
Colombia foreign direct investment in Canada	N/A	3	3	1	1

*Source: Statistics Canada*



**ANNEX C – Canada-Peru Bilateral Economic Relationship**

**MERCHANDISE TRADE**

**Top Canadian Domestic Exports to Peru (CAD Millions)**

	Peruvian Tariff	U.S. Treatment in U.S.-Peru TPA	2004	2005	2006	3-yr Avg.	Share of Cdn exports to Peru*	Share of Cdn Exports to the World*
Wheat	17%	Free immediate	58	81	112	84	38%	2%
Machinery & equipment	4-12%	From free immediate to free over 7 years	41	52	56	50	22%	<1%
Pulses	25%	Free immediate for lentils/peas; free over 5 years for beans	11	16	10	12	6%	1.40%
Paper	12%	Free immediate	8	11	12	10	5%	<1%
Oil (not crude)	12%	Free over 10 years	0	18	1	6	3%	<1%
Various plastics & rubber	4-12%	From free immediate to free over 10 years	3	7	6	5	2%	<1%
Barley	17%	Free immediate	2	6	8	5	2%	1%
Potassic	4%	Free immediate	4	7	4	5	2%	<1%
Zinc ores	12%	Free immediate	0	8	0	3	1%	1.50%
Pork	12-20%	Free over 5 years	0	0	0	0	0%	<1%
Beef	12-20%	Free immediate for prime grades; TRQ for other grades (free over 12 years)	0	0	0	0	0%	<1%

Source: Statistics Canada

\*Based on three-year average.

**PROSPECTIVE FREE TRADE AGREEMENTS WITH ANDEAN COMMUNITY COUNTRIES  
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**Top Canadian Imports from Peru (CAD Millions)**

	Canadian Tariff	Peru treatment in U.S. -Peru TPA	2004	2005	2006	3-yr Avg.	Share of Canadian imports from Peru*	Share of Canadian Imports from World*
Gold	Free	Free	127	889	1119	712	55%	37%
Ores (copper/zinc/lead/ silver)		Free	145	178	433	252	19%	11%
Refined copper	Free	Free	23	118	174	105	8%	22%
Oil (not crude)	Free	Free	0	0	160	53	4%	2%
Fish flour	Free	Free	37	25	41	34	3%	66%
Asparagus (off- seasonal)	Free	Free immediate	18	24	28	23	2%	36%
Various apparels	18%	Free immediate	21	22	26	23	2%	<1%
Coffee	Free	Free	17	22	26	22	2%	3%
Fish fats & oils	Free	Free	19	23	16	19	1%	60%
Various tropical fruits	Free	Free immediate	12	17	17	15	1%	<1%

*Source: Statistics Canada*

\*Based on three-year average.

**Bilateral trade in Commercial Services (CAD millions)**

	2000	2001	2002	2003	2004
Canadian exports to Peru	31	23	31	37	46
Canadian imports from Peru	4	4	1	9	3

*Source: Statistics Canada*

**Bilateral investment stock (CAD millions)**

	2002	2003	2004	2005	2006
Canadian direct investment in Peru	2,081	1,942	2,151	2,063	2,910
Peru foreign direct investment in Canada	1	N/A	N/A	N/A	N/A

*Source: Statistics Canada*





## ANNEX D – Canada-Ecuador Bilateral Economic Relationship

### MERCHANDISE TRADE

#### Top Canadian Domestic Exports to Ecuador (CAD Millions)

	Ecuadorian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian exports to Ecuador*	Share of Canadian Exports to the World*
Wheat	10%	72	68	63	68	45%	2%
Paper & newsprint	Paper: 15%; Newsprint: free	24	20	27	24	16%	<1%
Machinery and Equipment	5-20%	23	28	18	23	15%	<1%
Pulses	15%	7	9	7	8	5%	1%
Potassic	Free	8	4	3	5	3%	<1%
Various plastics & rubber	5-20%	4	4	4	4	3%	<1%

\*Based on three-year average.

#### Top Canadian Imports from Ecuador (CAD Millions)

	Canadian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian imports from Ecuador*	Share of Canadian Imports from World*
Bananas	Free	47	45	54	49	42%	21%
Cut flowers	6-10%	27	28	28	28	21%	24%
Fish and seafood	Free	13	9	12	11	9%	1%
Fruit preparations (palm hearts, fruit juices)	Free	7	8	9	8	6%	<1%
Other tropical fruits	Free	6	6	6	6	5%	1%
Penicillins & medicaments	Free	5	6	4	5	4%	<1%

\*Based on three-year average.



**PROSPECTIVE FREE TRADE AGREEMENTS WITH ANDEAN COMMUNITY COUNTRIES  
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**Bilateral trade in Commercial Services (CAD millions)**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Canadian exports to Ecuador	2	9	11	8	26
Canadian imports from Ecuador	1	3	2	1	2

**Bilateral investment stock (CAD millions)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Canadian direct investment in Ecuador	262	306	N/A	254	46
Ecuador foreign direct investment in Canada	5	N/A	N/A	N/A	N/A

*Source: Statistics Canada*



## ANNEX E – Canada-Bolivia Bilateral Economic Relationship

### MERCHANDISE TRADE

#### Top Canadian Domestic Exports to Bolivia (CAD Millions)

	Bolivian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian exports to Bolivia*	Share of Canadian Exports to the World*
Machinery and Equipment	0-10%	4	9	16	10	60%	<1%
Trucks	5%	1	2	1	1	8%	<1%
Wheat	10%	1	1	2	1	8%	<1%
Optic Material	10%	1	0	1	1	4%	<1%

\*Based on three-year average.

#### Top Canadian Imports from Bolivia (CAD Millions)

	Canadian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian imports from Bolivia*	Share of Canadian Imports from World*
Silver Ores	Free	8	7	21	12	36%	48%
Tin	Free	7	7	4	6	18%	20%
Silver	Free	1	3	7	4	11%	2%
Wood	Free	2	3	3	3	8%	<1%
Nuts	Free	2	2	2	2	6%	2%

\*Based on three-year average.

#### Bilateral trade in Commercial Services (CAD millions)

	2000	2001	2002	2003	2004
Canadian exports to Bolivia	12	15	12	13	12
Canadian imports from Bolivia	4	5	1	1	1

Source: Statistics Canada

#### Bilateral investment stock (CAD millions)

	2002	2003	2004	2005	2006
Canadian direct investment in Bolivia	44	65	68	80	87
Bolivia foreign direct investment in Canada (Need to Update)	N/A	N/A	N/A	N/A	N/A

Source: Statistics Canada

