

## Canada closer to inking free trade deal with Peru

Agreement would open up more South American export opportunities for the country's mining suppliers

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Canadian mining companies should find doing business in Peru easier once Canada's proposed free trade agreement (FTA) with the country is ratified. The South American country is already a strong trade and mining partner with Canada.

The agreement with Peru would further open the borders and encourage more commerce between the countries. Negotiations ended on January 26, and the deal awaits government approval prior to a targeted start date of January 2009.

Canada is the fourth largest foreign investor in Peru and one of the most important investors in Peru's mining sector. Canada has an estimated \$2.9 billion of investment stock as of 2006, while overall merchandise trade between the countries totalled \$2.4 billion in 2007.

The FTA would improve market access for machinery and equipment necessary for mining operations, which will be duty-free once the deal is implemented. There would also be market access "well beyond" Peru's WTO general agreement on trade in service commitments – notably in mining, energy and professional sectors – according to Renee David, a spokesman for Foreign Affairs and International Trade.

Canada will immediately eliminate 97% of tariffs on Peruvian exports; Peru will eliminate 94% of tariffs on Canadian exports. Both countries will continue to phase out tariffs entirely within a decade of the deal being implemented. The deal will, according to David, "lock in market access for Canadian investors and provide them with greater stability, transparency and protection for their investments."

There will be obligations to ensure the free transfer of investment capital, protect against unlawful expropriation and provide for non-discriminatory treatment of Canadian investments. The agreement will not be made public until it's presented to Canada's Parliament, but those in the mining sector agree it will be good for business.

"Canadians are competing with Americans, Europeans, Australians to provide services and products to the Peruvian mining industry and, as such, would benefit from any tariff advantages that a free trade agreement would bring," said Jon Baird, managing director of the Canadian Association of Mining Equipment and Services for Export. "Peru is a major mining country, so there's great markets down there for Canadian products and services."

Pierre Grafton, vice-president of sustainable development and public affairs at the Mining Association of Canada, said more cost-effective importation of capital equipment will be a key benefit. "It gives us a comparative advantage over other countries that don't have such an agreement. The Peruvian economy doesn't necessarily have all of the domestic supplies to build and operate new mines, so you have to import it. And the removal of tariffs on those imports is going to make a pretty important difference."

The United States concluded negotiations on a free trade agreement with Peru in December 2005; it is expected to come into force on January 1, 2009. Canada has had a foreign investment protection and promotion agreement (FIPA) with Peru since November 14, 2006, which brought greater financial openness and security to investments in Peru.

John DeCooman, vice-president of finance and corporate development at exploration firm Candente Resource Corp., said the country already has few barriers.

"It's a fairly mining-friendly country, and it does what it can do to facilitate that. What's demonstrated by that is the existing operations within the country, and the continued investment into the country from an exploration and development standpoint, versus other countries that are probably equally as endowed from a mineral potential standpoint, but that aren't seeing the same kind of in-flow of dollars to the country.

"They have a government that's in place today that, despite people's original concerns about Garcia [Peru's President Alan Garcia Perez] and his past practices, has continued to demonstrate good policies."

Baird said the biggest problem his members face with doing business in Peru is language and culture, not trade barriers. The agreement will also have social stipulations dealing with labour and environmental standards. According to Baird, standards are already pretty good.

"Some people think in developing countries standards are lower, but they're not. Newly installed mines operate to standards, which are similar to those in developed countries." It will be Canada's second free trade agreement with a South American country. Its first was with Chile in 1997.