

The country's growing prosperity is based on a philosophy of open trade, incentives to encourage foreign investment, and economic reforms. Remittances from Salvadorans living abroad continue to be a driving force in the economy, exceeding \$2.8 billion in 2003. It is expected that GDP, currently at \$19.6 billion, will grow at a rate of less than 2% in 2004, the same as the previous year but still one of the highest rates in Central America. Inflation rates will remain low. Imports grew by roughly 8% in 2003 (consumer and intermediate goods represent the largest increments) and exports by 7%, surpassing \$4.2 billion.

Bovine Spongiform Encephalopathy

Following Canada's May 20, 2003, announcement of a BSE case, El Salvador banned the import of live animals, beef and beef products from Canada. Canada has kept all its trading partners, including El Salvador, fully informed of the results of its investigations and regulatory response, and it is requesting resumption of trade on scientific grounds. (For further information, see the BSE overview in Chapter 2.)

GUATEMALA

Guatemala has the largest population in Central America (11.4 million) and is the region's largest economy with a GDP of \$31 billion. The country remains Canada's largest client in the region, importing primarily basic agricultural commodities, value-added agri-food products, newsprint and machinery. In 2003, two-way trade between Canada and Guatemala totalled \$270 million. Canadian exports to Guatemala accounted for \$123 million, while imports stood at \$146 million. The potential for growth in Canadian goods and services exports to Guatemala remains substantial, particularly given the advantages and security that the impending Canada-CA4 free trade agreement will bring. New opportunities can be expected to emerge in a number of priority sectors, as well as in newer key sectors such as energy, forestry and telecommunications.

Over the past several years, the overall macroeconomic picture for Guatemala has continued to be fundamentally sound, due to careful management by the Bank of Guatemala, in collaboration with the International Monetary Fund. Economic growth has

slowed from a peak in 1998 of 3.8% but, reflecting the resurgence in the economy, is expected to reach 2.5% in 2003. Inflation has continued to decline to manageable levels of 4% to 6% over the last two years. Guatemalan imports and exports have declined somewhat over the past two years (primarily due to the collapse of coffee prices and the slowdown in key export markets for the maquila industries); however, they are expected to increase substantially over the next three years as a new government places increased emphasis on infrastructure spending and international trade concessions.

Bovine Spongiform Encephalopathy

Following Canada's May 20 announcement of a BSE case, Guatemala issued a ban on imports of beef and various other products including pork. No other trading partner has included pork in their BSE measures against Canada, and we have raised strong objections. Canada has kept all its trading partners, including Guatemala, fully informed of the results of its investigations and regulatory response, and it is requesting a resumption of trade on scientific grounds. (For further information, see the BSE overview in Chapter 2.)

HONDURAS AND NICARAGUA

In 2003, Canada's two-way with Honduras and Nicaragua totalled \$182 million. Canadian exports to Honduras and Nicaragua accounted for \$43 million, while imports stood at \$139 million. The inclusion of a comprehensive investment chapter in an eventual Canada-CA4 free trade agreement is timely, given the growing interest shown by Canadian companies in mining and tourism-oriented projects in Honduras and Nicaragua, as well as the potential development of other Canadian business interests and investments that will follow the establishment of a Sustainable Cities Initiative for San Pedro Sula and surrounding area.

Bovine Spongiform Encephalopathy

Following Canada's May 20, 2003, announcement of a BSE case, Honduras placed a ban on beef products from Canada. Canada has kept all its trading partners, including Honduras, fully informed of the results of its investigations and regulatory response, and it is requesting a resumption of trade on scientific