

RPTB1

## TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

## 90/91 TRADE AND ECONOMIC OVERVIEW

Mission: SAN JOSE

Country: NICARAGUA

The Economic decline in Nicaragua continues. Annual imports which have remained around \$800 million greatly exceed export earnings which have been declining steadily for 10 years and were only \$250 million in 1988. The government is well in arrears on payments of both interest and principal on the external public debt of about \$7 billion. Although a program of fiscal austerity and economic reform was undertaken in mid-1988, significant expected in the medium term. As a result, the opportunities for Canadian exporters will remain limited. Canadian exports are in the range of 20 million per year.

Because of its serious arrears on payments to creditors, including to the multi-lateral development banks, Nicaragua is unable to obtain external finance, other than that provided under bilateral development assistance programs. This situation is dependant on the international judgement rendered on the electoral process now underway.

PROSPECTS FOR CANADIAN EXPORTERS

Nicaragua offers some prospects for Canadian exporters. The government limits foreign currency expenditures to essentials. Canadian exporters have had modest success in supplying electrical equipment, (mostly low voltage) and parts for machinery. The agricultural sector offers some opportunities for supply of inputs (agrochemicals, veterinary products, machinery). Nicaragua has indicated a desire to expand its fisheries production, and some opportunities exist for the supply of related equipment. Mining equipment, general hardware and construction materials may also find modest markets.

The Nicaraguan government operates a trading house (Moderna) headquartered in Panama, with purchasing agents located in Toronto. This company buys many consumer products as well as machinery and equipment for the government and offers a unique opportunity for Canadian exporters to sell to Central America. No opportunities exist, in the near term at least, for large capital projects.

Exporters should take note of delays by the Nicaraguan Central Bank in settlement of letters of credit. Most payments are now being made 4 months or more beyond due dates. Exporters unwilling to accept the financial cost and risk of such payment delays should consult with their bankers about more secure payment arrangements, including confirmed letters of credit.