

Central America

A Market of Growing Interest

By Don Wight, Editor

With expectations of continued peace and renewed economic growth through the next decade and beyond, Central America is a region that Canadian exporters should consider very seriously.

The region is comprised of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.

Relatively low wage rates, fairly well educated populations (30 million) with growing wealth, states with increasing capacity to borrow funds for capital projects and infrastructure — all lead to the conclusion that there are significant new opportunities for Canadian business in the region.

This favourable climate is further reinforced in that the governments of the area are in the process of reducing tariffs, relaxing import restrictions and currency controls, and promoting foreign investment in order to develop more competitive, export-oriented economies.

As well, all except Honduras and Panama (which have applied for accession) are members of the General Agreement on Tariffs and Trade (GATT), with work progressing on renewed regional cooperation on customs and tariff issues.

Furthermore, with the region's debt burden subsiding, international financing institutes (IFIs) are once again beginning to advance capital loans.

In the next decade, between \$1 billion and \$2 billion will be loaned to the region by the World Bank (WB), the Inter-American Development Bank (IADB) and the Central American Development Bank.

In 1990, Canada's exports to Central America amounted to ap-

proximately \$105 million, with Canadian imports totaling about \$195 million, giving Canada a trade deficit of \$90 million. Traditionally, Canadian exports have been raw materials, ranging from pulp, paper, fertilizers, plastics and chemicals to grain, fuel, edible oil, milk powder, dairy products and vegetables.

As the countries continue their upward swing, however, these traditional Canadian exports, while

continuing, are likely to be supplemented by finished products, newer, more advanced technologies, services and expertise.

Herewith, a general breakdown by country, incorporating information that should be of interest to Canadian exporters already doing business in the region or to those contemplating exploring the opportunities in this market of growing interest and importance.

Guatemala Development Plans Match Canadian Capabilities

With an economy that is private-sector driven, Guatemala is a country in which there are almost no import restrictions.

The market, as in most of Central America, is very competitive and, while product quality is a consideration, the better price usually dictates success in sales.

Guatemala imports goods and services in the order of US\$1.7 billion annually. Of that amount Canada, in 1990, exported \$28.1 million, primarily dairy and food products, prepared fish, paper and pulp, fertilizer and plastics.

The most populous (9.2 million people) country in Central America has development plans that closely match Canadian supply capabilities: energy, transportation, telecommunications, health and education are the prime areas of concentration for public investment.

Agriculture and industry also are two dynamic sectors that offer opportunities for the sale of raw materials, technology and consulting services.

Short-term sales opportunities — for which the trade section of the Canadian Embassy can suggest local representation and which have immediate potential — include computer equipment and accessories, raw materials for the plastics and pharmaceutical industries, prepared foodstuffs, small agricultural equipment, and paper specialties.

In the petroleum sector, there is significant potential for geophysical and drilling equipment, pipeline equipment and technology and petroleum-related services.

Indeed, in the area of capital projects, the Guatemalan government plans, in 1992, to execute three projects in the petroleum sector: the Penate petroleum products storage facility on the Pacific coast; an LPG storage facility on the Atlantic coast; and the construction of a 110-km petroleum products pipeline.

These three projects — of special interest to Canadian companies with the required expertise, tech-

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