

EL SALVADOR: AN ENTERPRISING MARKET ELICITING KEEN INTEREST

Salvadoran President Armando Calderón Sol envisages his country becoming the "Hong Kong of the Americas". A Canadian trade officer in the region favourably describes El Salvador as "the Lebanon of Central America". The descriptions are particularly apt. And the reasons are obvious.

Even in the strife of a protracted civil war (the peace accord was signed in 1992), its survival instinct persisted; it is aggressive; it has business savvy; and it is steadfast in its spirit of business enterprise and economic transformation.

Over the 1987-1992 period, El Salvador's Gross Domestic Product averaged 3.6 per cent per year. Increased capital inflows and investments saw that rate improve to 4.1 per cent annually between 1991-1994, giving it one of the best economic growth rates in Central America. The growth for 1996 was expected to level out in the 3 per cent to 4 per cent range.

Interest Increases

Increasingly, as the country moves toward greater privatization, trade liberalization and social improvements, Canadian businesses are seeing El Salvador as a country offering much potential and where commercial interests are well worth pursuing.

Canadian financial institutions, including some Canadian banks and the Export Development Corporation (EDC) also are recognizing — and acting on — the potential they see in this market.

The EDC, in 1994, resumed medium- and long-term financing on a case-by-case basis and, since 1990, has been active in the short-term insurance market, providing financing averaging US\$10 million- \$20 million annually. It views El Salvador as the best economic risk in the region.

As well, Canada-El Salvador negotiations on a Foreign Investment Protection Agreement (FIPA) are proceeding favourably.

What's more, and despite the United States being the country's major source of imports, El Sal-

vador considers Canada a reliable ally and competitive source of supply.

It looks as if trade relations between the two countries can go only one way — and that is up, especially given the fact that the country's imports from all nations totals between US\$3 billion and US\$4 billion annually!

Trade Relations

From a very low base, Canadian trade with El Salvador, while modest, is growing — both in quantity and variety.

Canadian exports to El Salvador in 1995 reached \$22.6 million (\$18 million in 1994), about 50 per cent of which was attributable to newsprint. Other Canadian exports included wheat, asbestos, aluminum wire, automobiles, and plastics and resins.

In 1995, Canadian imports from El Salvador — primarily coffee, textiles, food preparations, and fruits and vegetables — totalled \$43.6 million (\$40 million in 1994 and \$17.3 million in 1993). A 300-per cent increase in the cost of coffee, which comprised 72 per cent of Canada's total imports, accounts for the significant increase in Canadian imports after 1993.

Opportune Developments

A substantial infrastructure development program is in place in El Salvador, with projects being funded primarily by the World Bank and Inter-American Development Bank.

Progressing fairly well is the privatization process of state-owned utilities, including the telecommunications carrier, electricity authorities, ports and airport services. The move to privatization is likely to generate

substantial opportunities for foreign investors and equipment suppliers.

Other opportunities for Canadian exporters lie in the provision of construction materials, consumer products, grains and seeds, environmental infrastructure, and cattle and breeding stock.

As well, telecommunications, energy and environmental management are strong areas of interest to Canadian exporters to El Salvador.

To complete the picture, the prospects are increasingly promising for joint ventures and strategic alliances between the Salvadoran private sector and Canadian concerns.

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schools, roads and bridges.

Midence says "1995 was a very nice year for all the economy — coffee, power and including construction, with a growth rate of approximately 12 per cent."

Though housing construction "is very important," it has levelled off because of high interest rates. "Road construction, mostly is maintenance, but a few new, short-distance roads are being built," Midence says.

A member of the business delegation that accompanied the Central American Heads of State to Toronto last May, Midence says: "in Toronto, people were inter-

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