

CENTRAL AMERICA

Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama are emerging economies with generally good economic growth. Canadian exports to the region reached \$316 million in 2000 and continue to increase. However, import barriers exist in traditional sectors, particularly agricultural products such as milk and pork in Panama, pork in Guatemala and frozen food (french fries) in Costa Rica. In the mining sector, notably in Costa Rica, Canadian firms have experienced difficulty in obtaining operating permits.

In order to facilitate access to the Central American markets, Canada entered into free trade negotiations first with Costa Rica in early 2000, and later in the year with El Salvador, Guatemala, Honduras and Nicaragua. The conclusion of free trade agreements with these countries will signal Canada's continued commitment to the hemisphere and help realize the potential for further developing the trade relationship between our countries, particularly in respect of our small and medium-sized businesses. More details on these negotiations and the relevant markets are set out below.

FREE TRADE AGREEMENTS (FTAs)

Canada's goal of furthering global trade and investment liberalisation is significantly advanced by the establishment of bilateral and regional free trade agreements (FTAs). Aside from opening international markets for Canadian exporters and increasing domestic economic growth, FTAs complement and assist in accelerating the broader process of promoting prosperity and sustainable development worldwide and competitiveness. Canada is currently negotiating FTAs with Costa Rica and the Central American four (El Salvador, Guatemala, Honduras and Nicaragua), and has launched discussions with the Caribbean Community and Common Market (CARICOM) towards the negotiation of a free trade agreement. These bilateral FTAs will remove unnecessary barriers to trade while respecting the ability of all parties to regulate in the public interest. This will open markets for Canadian exporters, while at the same time, moving forward negotiations of the Free Trade Area of the Americas (FTAA), itself an important component of the Summit of the Americas process.

Costa Rica

After several months of extensive consultations with Canadians, the Minister for International Trade announced on June 30, 2000 the launch of free trade negotiations with Costa Rica. The negotiations are well underway and could conclude as early as spring 2001. In 2000, Canadian exports to Costa Rica totalled \$86 million and imports were \$183 million. In the negotiations, Canada is seeking to secure preferential access for Canadian businesses to the Costa Rican market and the elimination of tariffs on key Canadian exports, such as paper products, auto parts, plastics, wood and agricultural products. Canada is also striving to establish a comprehensive framework on competition policy that could serve as a model for the region. Trade facilitation is another area where Canada is seeking to reach an agreement. Specifically, negotiators are working to develop a regulatory framework with specific provisions on trade facilitation as a means of eliminating trade barriers and promoting a freer and smoother exchange of goods, services, investments and business people between our countries. Side agreements to address labour and environmental issues are also being pursued.

El Salvador, Guatemala, Honduras and Nicaragua

In September 2000, at the Canada-Central America Summit, Canada agreed to move ahead bilaterally toward free trade with El Salvador, Guatemala, Honduras and Nicaragua. An initial meeting was held with Central American negotiators in early December. Domestic consultations were subsequently initiated with business, citizen-based organizations and individual Canadians, as well as with the provincial and territorial governments, to gauge their opinions and obtain advice and views on priorities, objectives and concerns to help define the scope of this initiative.

Although the region has previously constituted a relatively small market for Canadian goods, Canada's efforts to expand its role in Central America have been paying dividends. In 1995, Canada exported \$94 million worth of goods to these four Central American countries, while imports were valued at \$197.3 million. In 2000, Canada's exports to Central America increased to \$173.7 million and imports were worth just