

CANADA-NICARAGUA TRADE

Nicaragua went through a ten year period of disinvestment and rampant inflation which ended shortly after the election of the current government, in 1990. Many businesses were nationalised during that decade and the current government will move to privatize the country in line with other economies of the region.

What was a closed economy with most imports handled by state organizations is rapidly reverting to a private sector driven economy. Most of the state companies will be sold or dissolved by the government over the next year or two. Private sector reinvestment is gradually beginning and the degree of confidence necessary to rebuild this tattered economy is slowly returning.

The Nicaraguan government limits foreign currency expenditures to essentials; however annual imports, even at their all time low of \$600 million, still greatly exceed export earnings which declined steadily for 10 years and were only \$320 million in 1990. The government is heavily indebted but has recently put forward a program of debt rescheduling which will allow new borrowing. This, combined with foreign assistance from the USA and other industrialized countries, will help to get a number of urgent sectors back to work. The IFI funds are needed for the country's infrastructure renewal and development. With a looming energy shortage and major requirement for infrastructure upgrading in the transport, water, sewage, environmental and educational sectors, the future should bring internationally financed projects which will be of interest to Canadian firms.

The Foreign Investment Law in Nicaragua is favourable to foreign investors but extremely open ended leaving virtually all issues for negotiation with the government on a case by case basis. The current government has plans to change the Law into a more clear cut mechanism for attracting foreign investment. The government will actively seek increased technology transfer and investment over the years to come. Education is compulsory and the literacy rate is 80%. There are two major universities in the country. There are about 40 multinationals now operating in Nicaragua however this is beginning to increase quite rapidly. Canada has no foreign investment protection agreement with Nicaragua at the present time.