

# Regional Economic Newsflash October 2008

## Central-America: Costa Rica, Guatemala, Nicaragua, El Salvador, Honduras, and Dominican Republic



The regional newsflash is a publication composed by the Embassies of the Kingdom of the Netherlands in Costa Rica, Guatemala, Nicaragua and Dominican Republic. The newsflash provides an update in terms of imperative economical developments, the most important tenders and a selection of other relevant business news to do with region. This newsflash is shared with a distinctive group of Dutch businesses with special interests in the region or a specific country within. It is put together on basis of publicly available information from various sources such as news articles, press releases, and third party information. The Embassies of the Kingdom of the Netherlands in San José, Guatemala, Nicaragua and Dominican Republic are not responsible for the accuracy of the published information. If you do not want to receive the regional newsflash, or wish to add a person to the distribution list or desire to send a observation, please feel free to forward a message to [nltrade@racsa.co.cr](mailto:nltrade@racsa.co.cr) A separate newsletter is published for Panama.

### Regional

- *Dutch development bank FMO signs loancontracts in Central America*
- *Holland Trade Information Day a great success in Honduras and El Salvador*
- *US crisis affects Central America*
- *The Economist Intelligence Unit's Index of Democracy 2008*
- *Central America starts consultations for sixth round of negotiations EU-CA Association Agreement*
- *EU makes commitment to provide banana offer*
- *Central America promoted in Europe*
- *US Trade Mission touring region*
- *US crisis could bring more tourism to Central America*

### Costa Rica

- *Costa Rica's annual inflation hits 10-year high*
- *Costa Rica and Panama Free Trade Agreement implemented*
- *Law on Marinas rejected*
- *TLC approval continues on the slow track*
- *Construction of gold mine suspended in Costa Rica*
- *Costa Rica renews bet on medical tourism*
- *Costa Rica concedes Liberia airport to Houston Airport*
- *Align Technology expands operations in Costa Rica*
- *Transnational services company opens in Costa Rica*
- *Ex-Im Bank-Financed Cessna Aircraft Sale to Costa Rica*
- *\$105 million for housing*
- *Tight credit may result in massive layoffs*

### Guatemala

- *IMF to open facility for technical assistance in Guatemala*
- *Guatemalan sales to Central America go up 47.7%*
- *Guatemalan budget for 2009 calls for \$1 billion in debt*
- *Guatemala Forum decries FTA with US*
- *Guatemala hosts First Central American Artisan and Craft Trade Fair*
- *Third Social Forum in Guatemala*
- *Unemployment hits thousands*
- *Micro electric companies in Guatemala seek \$2 billion*
- *Pollo Campero (Country Chicken) opens restaurant in the US*

### **Nicaragua**

- *Nicaragua year-on-year inflation up 24.23%*
- *Work on gold mine in Nicaragua halted after financing fails*
- *Nicaragua selected to host CATHIE 2009*
- *Gran luxury resort on Nicaraguan beach announced*
- *Nicaragua to Host Regional Tourism Fair*
- *Nicaraguan oil wells testing positive*
- *Budding Development Sector turns over a green leaf*
- *Granada Lays Road for New Tourism Growth*
- *Aalfs Manufacturing buys Presitex textile company in Nicaragua*

### **El Salvador**

- *El Salvador hosted Regional Summit*
- *Salvadoran Economy to grow 2.6% in 2009 according to IMF*
- *Mixed concession being evaluated for Salvadoran ports*
- *Wal-Mart invests \$6.8 million in El Salvador*
- *Brinker International to invest \$1.5 million in El Salvador*
- *Dell sells contact center*

### **Honduras**

- *Flood disaster*
- *Honduras agro industry announces price freeze*
- *Honduras seeks trade agreement with Brazil, Peru, and Ecuador*
- *Honduran coffee growers do not fear the crisis in the United States*

### **Dominican Republic**

- *European Union signed an Economic Partnership Agreement with CARIFORUM*
- *Construction decreases*
- *Preparing for Metro II*
- *Blackouts are back*



## **Central-America region**

**Dutch development bank FMO signs loancontracts in Central America** (Source: fmo.nl) In October, FMO closed 5 deals in the Central American. Even though loans between banks in the developed economies has almost come to a standstill, the Dutch development bank signed contracts with Honduran bank Ficohsa, Banco Improsa from Costa Rica, Lafise Costa Rica and Lafise Honduras. Furthermore, it is currently disbursing a recently signed loan to the Nicaraguan bank Bancentro. The facilities that were provided are long term (up to 10 years) loans meant for on-lending to either small and medium enterprises in the commercial sector, or as housing (mortgage) loans. The loans consisted of both senior and subordinated



debt, denominated in Lempiras, Colones, Cordobas and US Dollars. The facilities amount to an equivalent of USD 62 MM. FMO has many years of experience investing in the financial sector in Central America and has built fruitful relationships with many of the key (locally owned) banks in the region. FMO takes a long term approach to financing and continues to do business with these banks which are among the strongest financial institutions in their respective countries. With these facilities FMO re-affirms its trust in these institutions.

**Holland Trade Information Day a great success in Honduras and El Salvador**



The new initiative created by the Embassy in Costa Rica called the Holland Trade Information Day took place on October 22nd in Honduras and October 23th in El Salvador. The events were coordinated with the Honduran and Salvadoran Chambers of Commerce with support from our Dutch Consulates in both countries. The Embassy provided a general presentation regarding the Dutch economy, economic growth sectors, distribution and logistics advantages and business opportunities. Dutch organisations such as PUM, SNV en Oikocredit promoted their services/tools and Dutch companies such as TNT en KLM gave presentation on products they offer to the local business community. By including all these different organisations and presenting all the different tools offered by the Netherlands aiming to promote trade the participants got a coherent and complete picture of all services. The turn out for both countries was around 250 persons (businesses) and more than 130 specific business inquiries regarding Dutch products and services were presented.

**US crisis affects Central America** (Source: Prensa Latina)

The US financial crisis has increased unemployment, reduced money remittances from abroad and affected Central American exports to that country, despite the Free Trade Agreement, according to the Secretariat of Central American Economic Integration. The report "Impact of the US Financial Crisis on Central America," drawn up by their experts and submitted to the presidents of the region at an extraordinary summit held in Tegucigalpa, says the US crisis has caused direct foreign investment in the region to shrink. Our major trading partner, the United States, has reported a short- and long-term economic slowdown, and despite that, the region's economy is expected to grow 5.5 percent in 2008, according to the report, which was presented by Honduran Trade Minister Fredy Cerrato. Another problem affecting Central America is inflation, which increased to 15 percent in September, due to external factors such as high oil and food prices, as a result of a rise in agricultural inputs and speculation in the cereal futures.

	CR	GT	HN	NI	PA	SV
<b>Consumer Prices</b>	15.77% $\Delta$	14.73%	14.82% $\Delta$	24.23%	10.03%	9.72%
<b>Econ. Activity</b>	241.0 $\nabla$	130.1	284.6 $\Delta$	171.6 $\Delta$	193.7 $\Delta$	220.1 $\Delta$
<b>Exchange Rate</b>	560.4	7.491	18.90	19.67	n/a	n/a
<b>Lending Rate Domestic</b>	19.40% $\Delta$	13.57% $\Delta$	17.63% $\Delta$	15.05% $\Delta$	n/a	n/a
<b>Savings Rate Domestic</b>	7.01% $\Delta$	5.28% $\Delta$	6.10% $\Delta$	7.30% $\Delta$	n/a	n/a
<b>Lending Rate Foreign</b>	11.05% $\Delta$	7.81% $\Delta$	9.80% $\Delta$	11.31% $\Delta$	8.18% $\nabla$	7.49% $\Delta$
<b>Savings Rate Foreign</b>	3.57% $\Delta$	3.67%	2.74% $\Delta$	6.14% $\Delta$	3.41% $\nabla$	4.12% $\Delta$
<b>International Reserves</b>	3.70B $\nabla$	4.77B $\Delta$	2.51B $\nabla$	1.02B $\nabla$	1.24B $\Delta$	2.31B $\Delta$

Presidents Manuel Zelaya (Honduras), Alvaro Colom (Guatemala), Antonio Saca (El Salvador), Oscar Arias (Costa Rica) and Daniel Ortega (Nicaragua) were warned about a possible reduction of family remittances this year, as opposed to last year's increasing trend. The report urged the Central American governments to create jobs, boost agricultural production, mainly basic cereals, increase exports and invest in infrastructure.

**The Economist Intelligence Unit's Index of Democracy 2008** (Source: The Economist)



Costa Rica is second in Latin America with an index of 27. Panama is at 43, El Salvador 67, Honduras 74, Nicaragua 78, Guatemala 79. According to the IDD-Lat 2008 from Polilat.com Costa Rica is ranked first in Latin America. The results of the Economist Intelligence Unit's Democracy Index 2008 confirm that, following a decades-long global trend in democratisation, the spread of democracy has come to a halt. Comparing the results for 2008 with those from the first edition of the index, which covered 2006, shows that the dominant pattern in the past two

years has been stagnation. Although there is no recent trend of outright regression, there are few instances of significant improvement. However, the global financial crisis, resulting in a sharp and possibly protracted recession, could threaten democracy in some parts of the world.

### **Central America starts consultations for sixth round of negotiations EU-CA Association Agreement**

(Source: laprensagrafica.com) Central America is preparing its next commercial offer that should be presented in Brussels (Belgium) in January. The region should restart a series of consultations with the productive sectors, but this time it should include those that have been in the so called F basket, which is for those products that need special treatment or which are simply excluded from the negotiations. Central American negotiators arrived in Guatemala at the start of October for the fifth round with an improved commercial proposal that included 85.3% of the tax lines. Europe asked for more, for at least 90%.



### **EU makes commitment to provide banana offer** (Source: La Nacion)

The EU has committed to providing an offer for banana import tariffs before December. The European commitment was secured in the fifth round of negotiations for an Agreement of Association between the EU and Central America carried out from October 6 to 10 in Guatemala City, reported the Minister of Comex, Marco Vinicio Ruiz. The objective of banana negotiations is to reduce the tariff or duty that the EU charges on this fruit which is at 176 Euros (\$222) per tonne.

### **Central America promoted in Europe** (Source: Prensa.com)



Iberia airlines and the Central American Tourism Agency have signed an agreement to promote Central America in Europe. Based on the agreement, the airline's logo will now appear next to the Central American Tourism Agency (CATA) on promotional materials for the European Market and at International tourism fairs where CATA will promote the regional as a multiple destination. Some of these fairs include: Fitur in Madrid, ITB in Berlin, WTM in London, BIT in Milan, and MAP in Paris to name a few. Central American tourism ministers seek ways to promote the region as a destination and are approaching cruise-ship lines, charter airlines and travel wholesalers to promote Central America as a single destination. The ministers also aim to seek technical assistance from Europe with a view to improving the industry's management.



### **US Trade Mission touring region** (Source: laprensagrafica.com)

A trade mission from the Southern United States Trade Association (SUSTA) began a regional tour on October 28<sup>th</sup> in Panama and will also visit Costa Rica, El Salvador and Guatemala. Representatives from 31 American companies interested in the regional market will meet with potential local partners in order establish commercial relations during the two-day stay in Panama. They will be in the region until the 4 of November. The companies on the tour come from sectors such as medical equipment, construction equipment and materials, telecommunications, security, used trucks and heavy equipment, construction systems, gardening and hair products, to name a few.

### **US crisis could bring more tourism to Central America** (Source: La Prensa Libre)

The tourism sector in Central America may be able to take advantage of the US economic crisis, since the region has become cheaper than other regions.. Mariano Beltranena, manager of the Vista Real Hotel, said he felt optimistic after participating in the Assembly of the Convention, Meeting and Congress sector carried out in Chicago early October. In the midst of the US economic crisis, corporate or executive tourism "are now looking to Guatemala as a destination country," he declared. Salvadoran Fernando Poma, executive director of the Real Hotels and Resource - which is in charge of the Real Intercontinental Hotel franchise in the Central America - was of the opinion that the corporate segment will continue on the Isthmus, however they will have to attract executives from other regions.



## **Costa Rica**

### **Costa Rica's annual inflation hits 10-year high** (Source: news.xinhuanet.com)

Costa Rica's accumulated inflation between September 2007 and September 2008 reached 15.77 percent, the highest year-on-year figure for the last 10 years according to the National Institute of Statistics and Census (INEC). In the first nine months of this year, the inflation rate reached 11.83 percent, with the Central Bank of Costa Rica forecasting that it would reach 14.2 percent at the end of the year. Figures showed that



the Consumer Price Index (CPI), by which inflation is measured in the country, rose 0.95 percent in September compared with August, with prices for 68 percent of the commodities rising in the month, including food and non-alcoholic drinks.

### ***Costa Rica and Panama Free Trade Agreement becomes effective***



Costa Rican president, Oscar Arias, and his Panamanian counterpart, Martín Torrijos ratified the Tratado de Libre Comercio (TLC) - free trade agreement - between both countries. The meeting was held in San José and signing the document were also witnessed by the trade ministers of both countries, Costa Rica's Marco Vinicio Ruiz, and Panama's Severo Souza Gómez. With the signing of the trade deal, 91% of Costa Rican goods can now enter Panama duty free. Panama is Costa Rica's fifth export destination. Only a small number of products are not included in the free trade deal, items like rice, sugar, potatoes, onions and coffee. According to official figures, trade between the two countries was us\$551 million dollars, 60% or us\$327 million of

the total was of Costa Rican exports and the rest of Panamanian goods. Following the approval of the free trade agreement with Panama, Costa Rica has opened a foreign trade office in Panama, opening a new chapter in commerce between the two neighboring countries.

### ***Law on Marinas rejected*** (Source: La Nacion)

The Constitutional Court put a stop to reforms related to the Law of Concessions for Marinas and Tourist Docks. Magistrates of the Court reviewed the project that was approved by Congress on 9 September and ruled that it lacks substance and needs to be corrected. The Court determined that the text does not specify the responsibilities of the authorities in charge of protecting and preventing damage to the environment.



This is because it allows investors to present the environmental impact study after having obtained the concession. This is just one of many details that were objected to.

### ***TLC approval continues on the slow track***

Despite the accusations against opposition legislators by Casa Presidencial, for the alleged obstacle course against the approval of the last law required for the approval of the Tratado Libre de Comercio (TLC) - free trade agreement with the United States - the absence of 15 legislators allied to the government did not allow its approval.



### ***Construction of gold mine suspended in Costa Rica*** (Source: Reuters)

The Supreme Court of Costa Rica has ordered the suspension of works at the Crucitas gold mine due to environmental claims. Infinito Gold Ltd, the company responsible for the development of the mine, reported that the court had ordered them to stop works to clear the property while they review the case presented by a group of environmentalists. The Canadian company had already started to clear the land last week, but had stopped the works until the court makes a decision. The court has not given a date for its final decision. The mining company has to clear 208 hectares of forest to continue with the project, according to Eduardo Araya, the lawyer who presented the case in favour of two environmental organizations in the zone. The project was declared to be of national interest by the president of Costa Rica, Oscar Arias.

### ***Costa Rica renews bet on medical tourism*** (Source: La Nacion)



The Cima, Catolica and Clinica Biblica Hospital joined up to form the first medical consortium that will treat medical tourists. In the last few years, this type of tourism has grown because it offers medical services mainly to Americans who do not have local medical coverage (Social Security) and who cannot afford attention in their country of origin. The three hospitals have obtained certification, granted in the US, for providing world class service and treatment. A recent report estimates that hundreds of thousands of Americans go abroad each year for medical procedures, primarily to save money. They are not the only ones eyeing the bottom line. Some U.S. insurance companies — including Aetna and UnitedHealthcare — are considering paying for patients to go overseas for care, which could spark major growth in the medical travel industry. **Good news for Royal Philips medical equipment division.**

### ***Costa Rica concedes Liberia airport to Houston Airport*** (Source: La Nacion)

Houston Airport, the administrator of the Juan Santamaria airport, was granted the concession for the expansion of the Liberia airport. The expansion project for the



Daniel Oduber airport in Liberia, Guanacaste, will require an initial investment of \$35 million to construct an area of 22949 square meters and will be concessioned for 20 years, indicated Karla Gonzalez, Minister of Public Works and Transport. The works are expected to be ready by December 2009. The airport currently receives more than 400,000 thousand passengers per year. The American company, Houston Airport System, is one of the five firms that formed the Coriport S.A. consortium that was chosen to build the new terminal. The consortium includes Canadian MMM Aviation Group S.A. and three Costa Rican companies. Houston Airport System Development Company (HASDC) will also take over as manager of Juan Santamaria International Airport in San José as of next December. **Opportunities present for Dutch airport technology companies such as NACO, NAT and DAG.**

***Align Technology expands operations in Costa Rica*** (Source: SEC)

The dental products company Align Technology will expand its operations in Costa Rica with an organizational services centre. As part of a restructuring program, the company will create an organizational services centre that will consolidate customer services, accounts receivables, credits and charges, and other operations. The company is operating in Costa Rica since 2002, employing 670 dental technicians and support personnel. The company said that the Costa Rica operations will "provide a strong foundation to create a share organizational services centre that will bring great efficiency allowing the company to use the infrastructure and talent base in Costa Rica at a lower general cost.



***Transnational services company opens in Costa Rica*** (Source: Nacion.com)



Experian, a transnational services company that analyzes business and consumer information, will begin operations in the country. The company was founded in the UK in 1980 and will have its local headquarters in the Ultralaq free zone, in Lagunilla de Heredia. It is dedicated to four business sectors: credit, analysis for decision making, marketing and interactive services.

***Ex-Im Bank-Financed Cessna Aircraft Sale to Costa Rica***

The sale of 12 aircraft by Cessna Aircraft Company (US) to Costa Rica's Servicios Aereos Nacionales, S.A. (SANSA), backed by financing from the Export-Import Bank of the United States (Ex-Im Bank), will help support trade between U.S. and Central American companies, as well as enhance regional economic growth. Ex-Im Bank approved a loan guarantee totaling approximately \$20 million to support the export of the Cessna Grand Caravan aircraft that will increase SANSA's fleet and improve business, tourist and leisure air transport links throughout Central America.

***\$105 million for housing***

Overseas Private Investment Corporation (OPIC), a US Government agency, granted us\$45 million to Bank Lafise Costa Rica and us\$60 million to BAC San José – both which are private banks - to improve their mortgage portfolio through loans for houses destined to people of mid to low income.

***Tight credit may result in massive layoffs*** (Source: InsideCostaRica.com)

The business sector is warning that the Costa Rica could enter a crisis of massive layoffs if they cannot finance their activities. The warning is based on the scarcity of credit both from the public and private banks, which is causing many companies not to have sufficient financial resources to continue operations or expand. Representatives of the Unión Costarricense de Cámaras y Asociaciones de la Empresa Privada (Uccaep) met with their associates to explain the urgent need for credit. According to the entrepreneurs, the Banco Central de Costa Rica (BCCR) - Central Bank - and the Superintendencia General de Entidades Financieras (Superintendent of Financial Institutions) have a huge share of responsibility in the labour crisis, because before the international financial crisis issued guidelines to banks to be stricter with their credit portfolios.



**Guatemala**

***IMF to open facility for technical assistance in Guatemala***

The international Monetary Fund (IMF) will open a technical assistance centre for the Central American Region in Guatemala during 2009. This Centre, which will be made up of at least 6 technicians, will provide assistance in areas such as customs integration, budget elaboration and statistics standardization. This facility will work for

a minimum of five years with a budget of US\$30 million granted by donor countries and the Central American Monetary Council.

### ***Guatemalan sales to Central America go up 47.7%***

According to the Guatemalan Central Bank, exports to Central American went up 47.7% up to September, compared to the same period last year. Exports went from US\$442.7 million to US\$653.7 million. During this same period, non traditional exports to the rest of the world went from US\$1,448.7 million last year to US\$1,882.2 million in 2008, an increase of 29.9%. 42.9% of sales to the Central American region went to El Salvador, 30.3% to Honduras, 13.7% to Nicaragua and 13.1% to Costa Rica.

### ***Guatemalan budget for 2009 calls for \$1 billion in debt*** (Source: prensalibre.com)



The funds are expected to come from six loans from the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD). According to data from the Ministry of Public Finances, from these funds \$400 million will be assigned for policy, \$200 million for wider based policies, \$200 million for social protections, \$150 million for education, \$30 million for the judiciary and \$20 million for the Financial Administration Integration System. The 2009 budget totals \$6.34 billion and the Government is seeking to raise it to \$7.08

billion. As a part of the net internal financing, \$122 million in Treasury Bonds will have to be authorized and traded in the local market.

### ***Guatemala hosts First Central American Artisan and Craft Trade Fair***

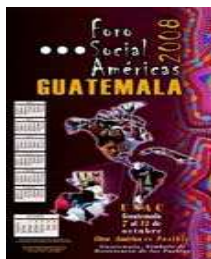
From the 22nd to 23rd of October, Guatemala held the First Central American Artisan and Craft Trade Fair. The event was a total success and is a credit to the wonderful creative and talented artisans that Guatemala has and to the organizers. The event presents a new concept for a new generation of buyers. It gathered exhibitors from the 5 countries of the region in one place, in one show, presenting for the next season, the latest handcrafts for home decor, outdoors accessories and gifts items, all of them 100% handmade by Central American artisans. This event was sponsored by AGEXPORT, ProRrural, Aid to Artisans, USAID, Encadenamientos Empresariales, MINECO (Ministry of Economy of Guatemala), European Union, Alianza para el Turismo Comunitario and INGUAT.

### ***Guatemala Forum decries FTA with US*** (Source: Prensa Latina)



The free trade agreement between Central American and the US has failed to accomplish all the supposed fairness and pledges advocated by its promoters, participants at the Social Forum of the Americas denounced in Guatemala. A study made two years after the pact entered into force corroborates the Central American nations have not been benefited, rather damaged considerably, they sustained. "The commercial deficit of Central American and the Dominican Republic with the US has increased, that is, we buy more and sell less," Jorge Coronado, leader of the network monitoring the free trade agreement. Coronado indicated this negatively affects local producers, mainly small and medium farmers and businesspeople, whose markets run the risk of disappearing. The pledged rise in foreign investment has not been not accomplished either, and the only positive case is in El Salvador, where banks of capital were acquired by US corporations, he noted. In commercial terms, Central America means nothing for Europe, as it represents 0.34 percent of its imports, thus demonstrating the clearly geopolitical goals of the initiative. "The only thing European transnational's care about is to compete in the Central American market under equal terms with their US counterparts for their own benefit," the expert complained.

### ***Third Social Forum in Guatemala*** (Source: Prensa Latina)



With a ceremony of the continent's indigenous peoples, the Third Americas Social Forum was held this month in Guatemala, bringing together thousands of delegates from the hemisphere for six days. Calling to Mother Nature, participants in the event will advocate that working tables are productive, truly represent communities and generate viable alternatives to problems. During the opening at the San Carlos University Martyrs Square, the forum awarded that institution for holding the event, and prestigious lawyer Alfonso Bauer for his permanent struggle to achieve a better world. Some 6,000 representatives from social, indigenous, rural, women, students, union organizations and other sectors participated in numerous debates.

### ***Unemployment hits thousands***

According to estimates from the private sector, this year around 17,000 jobs have been lost in the drawback industry plus more than 100,000 in real estate. Nevertheless, the government questions this figures and with the lack of official statistics there is no way to corroborate the increasing wave of lay over's. Only last week, the shutting down of Bises Visión Company left 700 people unemployed.

***Small and medium businesses in Guatemala look to Central America as prime market*** (Source: prensalibre.com)

Central America receives 80% of the exports by small and medium businesses in Guatemala. "Central America is the region to which they export the most due its proximity; however, we are interested in completing the customs union, because not having it reduces competitiveness," explained Ernesto Morales Pinzon, president of the Guatemalan Federation of Small and Medium Businesses (Fepyme). The importance of the region is also considered in the Export Consultancy program (Apex) promoted economically by the European Union, the Ministry of Economy and coordinated by the Guatemala Chamber of Commerce.



***Pollo Campero opens restaurant in the US*** (Source: prensalibre.com)

Since last month, Miami has been hosting one of two restaurants that the Pollo Campero chain plans to open in the southern United States this year. The Campero chain opened its first Florida restaurant last January in Boynton Beach. The chain has 280 restaurants in 11 countries, serving more than 75 million customers yearly. In 2007 the chain's yearly sales were \$400 million. Last year they open their doors in Asia, in Indonesia and in China.



## Nicaragua

***Nicaragua year-on-year inflation up 24.23*** (Source: ticotimes.net)

Nicaraguan year-on-year inflation in September was 24.23 percent, owing to rising fuel and basic grain prices, according to the Central Bank (BCN). Prices rose last month 0.51 percent, while inflation in the first eight months of the year reached 13.73 percent, the BCN said in its latest monthly report. The Central Bank, however, noted that the rising consumer price index has slowed since July with dipping cost of petroleum, which it said has eased down price increases of such commodities as beverages and housing.

***Work on gold mine in Nicaragua halted after financing fails*** (Source: Resourceinvestor.com)

Central Sun Mining has stopped work on its Orosi gold mine in Nicaragua after failing to obtain \$22 million in financing. Central Sun, already operating the Limon gold mine in Nicaragua, had earlier entered into a non-binding term loan with a bank for \$22.5 million to complete the Orosi project, on which it has spent \$31 million to date and which was expected to be completed next spring. However, "due to the current global financial situation, the banking institution was unable to proceed with the debt financing," the company said. It is "continuing active discussions with various other financial institutions," but has "temporarily suspended" work at Orosi, acquired in July 2006 and being converted from a heap leach operation to a conventional milling system to increase gold recoveries.

***Nicaragua selected to host CATHIE 2009***

PRONicaragua, the official investment promotion agency of Nicaragua, recently received confirmation from Burba Hotel Network (BHN) that Nicaragua has been selected to host the upcoming Central America Tourism & Hotel Investment Exchange (CATHIE), which will be held March 24 – 26 of 2009. The conference will take place at the Crowne Plaza Hotel & Convention Center with the objective of gathering important investors and international tourism developers to showcase investment opportunities offered by this sector in Central America. CATHIE will focus on the hotel and tourism investment opportunities in the rapidly growing Central America region. The Foreign Investment Advisory Service (FIAS) of The World Bank Group as well as each of the Central American countries are supporting this event. CATHIE's inaugural conference was held this year in Guatemala City, Guatemala, and welcomed nearly 250 hotel and tourism industry leaders eager to network and learn about hotel investment opportunities in Central America. The conference program will feature presentations on key industry issues, new hotel and tourism trends and investment opportunities in the region, as well as exhibition stands of suppliers, tourism projects, hotels and financial institutions, among others.

**Gran luxury resort on Nicaraguan beach announced** (Source: ownersperspective.com)



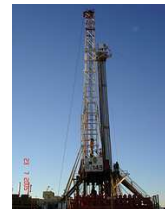
Developer Grupo Mariana Family of Resorts has announced the launch of a major master-planned residential-led resort ‘Seaside Mariana Spa & Golf Resort’ in Nicaragua, Central America. Located on a 1.2 mile stretch of Pacific beachfront on the country’s west coast, the resort will have 1350 units spread over an area of 923 acres. One of the highlights of the project is the golf course, which will be developed by ex-golfer Jack Nicklaus. The resort will also have a spa, hotel and beach club, archaeological museum that will display artefacts found at the site, medical tourism installations, and a commercial centre with stores, restaurants and cafes. Construction is set to start in December 2009 and the first phase completed in 2010. The price of the residential units will range from \$250,000 to \$780,000.

**Nicaragua to Host Regional Tourism Fair**

The Fifth Central American Travel Market Fair was held in Nicaragua from October 10-12 to promote multi-destination and the attractions of the country and the region, Tourism minister Mario Salinas announced. Salinas told reporters that 23 countries and nearly 180 tour operators from all over the world, including Australia and Oceania, have confirmed participation in the fair. He noted that Nicaragua invests nearly 28 million dollars to boost the so-called smokeless industry, which grew 7 percent in terms of tourist arrivals during the first seven months of 2008. Vacationers' stay in Nicaragua also increased and hard-currency revenues rose 14.3 percent compared to last year. Salinas pointed out that Nicaragua's tourism sector must grow 10 percent this year, in contrast to 2007, although it is hard to measure domestic tourism. In financial terms, tourism contributed 133 million dollars, and 250,000-350,000 tourists visited the country during the first semester of this year.

**Nicaraguan oil wells testing positive** (Source:Norwood Resources)

Norwood Resources announces that the testing program recovered non-commercial flows of oil in both wells. Tests were impeded by various problems and inaccurate identification of moveable oil from well logs. The company plans to reinterpret logs in light of data from the testing to pursue those zones where oil was recovered during swabbing and while drilling.



**Budding Development Sector turns over a green leaf**

The first “green” real stated tours and new efforts to establish ecotourism-certification programs here suggest that Nicaragua’s booming real estate industry wants to become a more environmentally friendly enterprise. Form “eco-brokers” to “eco-designers,” Nicaragua’s residential tourism industry is finding more and more ways to incorporate environmentally friendly practices in each step of the development process. “We want to make it as easy as possible to build and live green in Nicaragua,” said Brooke Rundle of Coldwell Bank in San Juan del Sur. Rundle recently became the accredited eco-broker in Central America under the program “Eco-broker International.” In many ways, Nicaragua’s underdevelopment has become a market advantage in the sustainable-development niche. Because much of the sought-after real estate in Nicaragua is off the beaten path -along pristine beaches or in verdant tropical forest, where public services are scarce-developers have incentives to build projects that are self-sustainable and self-reliant. Luis Guzman of Umbral Arquitectura says sustainable development must first be financially viable if it is going to work. “None of my clients disregards the idea of sustainability, but it can not be their main concern,” he said.

**Granada Lays Road for New Tourism Growth**

Granada’s tourism sector hopes for the upcoming high season as the municipality puts the finishing touches on the highly anticipated expansion of “Calle La Calzada,” the heart of this colonial town’s nightlife. Calle La Calzada businesses are sighing with relief as the long delayed Calzada construction, funded by the Spanish aid, comes to an end. The Granada municipality plans to officially inaugurate the street in December so it will not be confused as a political campaign stunt before the upcoming November elections. Across the street, the hotel formerly known as Hospedaje Italiano is receiving a facelift under new ownership, according to its administrator. Texas investors are remodelling rooms, putting in a new bar and perhaps will have put in a second floor by the time the new hotel, to be called Hotel Calzada, opens in December.

**AalFs Manufacturing buys Presitex textile company in Nicaragua** (Source: elnuevodiario.com.ni)



American company, AalFs Manufacturing, bought the Taiwanese Presitex which operates in Sebaco, Nicaragua. AalFs Manufacturing Company designs, manufactures and sells clothing in the American Market, especially jeans pants, and was founded in 1892. Their main clients include JC Penny, Tommy Hilfiger, Gap, Old Navy and Harley Davidson. Presitex employs 900 people, makes overalls, casual and jeans pants. In 2007 it exported \$11 million.



## El Salvador

### ***El Salvador hosted Regional Summit*** (Source: Prensa Latina)

Salvadorian authorities welcomed delegations of 22 countries in the region for the XVIII Ibero American Summit of heads of state and government last October 29-31. The central topic for this Summit was "Youth and development". Some 4,000 visitors took part during the Summit that analyzed the new politics needed to satisfy the needs of 160 million young people in the region.

### ***Salvadoran Economy to grow 2.6% in 2009 according to IMF*** (Source: laprensagrafica.com)

The International Monetary Fund forecasts that the Salvadoran economy will grow 2.6% in 2009, the lowest in 5 years. In the update for this month's report of "Global Economic Perspectives 2008" the Fund projects that the GDP of El Salvador will grow 3% this year and 2.6% in 2009, the lowest in 5 years. The Government of El Salvador has cut its growth projections for the economic for this year to a range of 3.5% to 4% of the GDP. Projections by the Ministry of Finance for 2009 are for growth between 3% and 4%. According to the IMF, the isthmus on a whole grew 6.6% in 2007, but it only grew 4.6% in 2008 and would grow 4.2% in 2009. The report highlights that CA is closely linked to the US economy and that the effects could come by several means: less export, remittances, tourism and foreign direct investment.

### ***Mixed concession being evaluated for Salvadoran ports*** (Source: laprensagrafica.com)



The La Union Port, which was built at a total cost of \$161 million, is ready to receive the first shipments at the end of this month, affirmed Andres Abelino Cruz, head supervisor from the Autonomous Port Executive Commission for the port development project. Everything appears to indicate that the port system will be granted in a public/private concession, said Ana Vilma de Escobar, Vice-president of the Republic. "The idea is to seek a public/private association, where the State will provide the least possible amount, since we are talking about \$1 billion in investment over 25 years... as we do not have to capacity to provide this amount," she added. The Vice-president stated that they should not be afraid of concession, since they are seeking the greatest benefit for the country. "What is clear is that there must be a concession, although at the moment a master concession is not supported," Ana Vilma de Escobar, vice-president of the Republic, admitted. She has been in charge of promoting the concession of the La Union port and the Acajutla port to international companies. She visited the Netherlands last June where she met with APM Terminals in Rotterdam and also visited CBI and the Port of Rotterdam. "If the concession is a mixed system where the State has 51% of the shares we have no problem with it and are ready (to vote)," said Mario Ponce, a PCN lawmaker.



### ***Wal-Mart invests \$6.8 million in El Salvador*** (Source: elsalvador.com)

The Wal-Mart chain inaugurated its first beef and pork processing and distribution plant in El Salvador. The facilities, 2000 refrigerated square meters, currently process 1.4 million pounds of meat per month which is distributed to more than 80 Hiper Paiz, Despensa de Don Juan and Despensa Familiar stores throughout the country. The executive president of Wal-Mart Central America, Ignacio Perez, said that the project, in which the American chain has invested 6 million 800 thousand dollars, will employ between 150 to 200 workers.

### ***Brinker International to invest \$1.5 million in El Salvador*** (Source: laprensagrafica.com)

American Food, the company which represents the franchise, announced the opening of the restaurant under the Chili's brand, Brinker International. Brinker is present in 25 countries and counting, and in Central America it is found in Guatemala and Honduras. In the region they plan to establish 5 in total, and to have three restaurants in El Salvador in the next three years. "American Food has fought hard to bring in Brinker. In the last two years they have fulfilled the Brinker standards in order to open the Salvadoran company, Chili's restaurant, on 10 December" indicated Mario Grisales, director of American Food.

### ***Dell sells contact center***

Dell Inc. announced that Stream Global Services has acquired 100 percent of its El Salvador contact center as part of company-wide efforts to increase the efficiency of its business and provide better value for customers.

Stream is a global outsourcing company headquartered in Boston, Massachusetts, with more than 17,000 employees in 32 locations around the world. Dell will become a customer of Stream, continuing to utilize the El Salvador site for outsourced consumer sales and technical support services.



## Honduras



### ***Flood disaster*** (Source: UNICEF, UN)

Heavy rain has soaked much of Central America since the beginning of October. Honduras is one of the worst affected countries, with more than 30 people dead and 40,000 others forced from their homes. About 270,000 people have been affected by the disaster so far, either by being made homeless or losing their crops which would have been their main source of food for the next four months. It is the worst and most widespread flooding since Hurricane Mitch in 1998. An estimated 100,000 hectares of crops have been lost. Most of the crops that have been destroyed by this flooding are

food staples such as maize, beans, plantain and yucca. Also some cash crops like bananas, sugar cane and Africa palm have been lost. The World Food Programme (WFP) has already distributed nearly 60 tons of food to some 5,500 families, but says it will need an extra 2,500 tons before the crisis has passed. The Netherlands has provided 100.000 Euros aid for Honduras and Guatemala via the red cross.

### ***Honduras agro industry announces price freeze*** (Source: laprensa.hn)



Twelve of the most important agro industrial companies in the country have committed to a price freeze on their products. The measure will apply for 30 days from October 24, it was reported by authorities from the Honduran Council of Private Companies, Cohep. "Private companies in Honduras, in light of the emergency cause by the recent tropical storm that has affected the country, have joined up in solidarity with the general population and have announced that the product brand mentioned herein will have undergo a price freeze," according to an official press release.

### ***Honduras seeks trade agreement with Brazil, Peru, and Ecuador*** (Source: latribuna.hn)

The Government of Honduras is studying "what type of accord" they can offer Brazil; they have proposed a FTA with Peru and a Partial Reach Agreement with Ecuador. Honduran vice-minister of Foreign Trade, Jaime Turcios, suggested that the agreement with Brazil could be made within the wider context of the Central American Integration System (SICA) and the Southern Common Market (Mercosur).

### ***Honduran coffee growers do not fear the crisis in the United States*** (Source: elheraldo.hn)

In spite of the financial crisis in the United States, the Honduran coffee industry has great expectations for its exports. Marcial Flores Sosa, manager of the Instituto Hondureño de Café (Ihcafé) [Honduran Institute of Coffee], projects that the expected exportable production from Honduras in the harvesting year 2008-2009 is 4.7 million bags of 46 kilograms, which would entail foreign exchange for some 620 million dollars.



## Dominican Republic

### ***European Union signed an Economic Partnership Agreement with CARIFORUM***

On 15 October 2008 the European Union signed an Economic Partnership Agreement with 13 CARIFORUM countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Christopher and Nevis, Suriname, and Trinidad and Tobago. Guyana signed on 20 October. The EU pledged to work with the Haitian government and other Caribbean partners to ensure that the conditions for Haiti to join the EPA are in place soon. This comprehensive trade and development agreement covers trade in goods and services, investment, as well as a wide range of trade-related areas. Sustainable development and regional integration are major themes running through the

agreement, which includes development cooperation provisions and links into the EU Aid for Trade Strategy. Relevant information on EPA you will find on:  
[http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr220208\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr220208_en.htm)

### **Construction decreases**

The start-up of construction projects has decreased by 90% in the last two months, according to the president of the Housing Construction and Promotion Association (ACROPROVI), Jaime Gonzalez. Gonzalez blames the lag in construction on the rising financial costs. Gonzalez says that sales of new homes are down 70% in 2008, compared to 2007.

### **Preparing for Metro II**

Five international companies have shown an interest in participating in the construction of the Santo Domingo metro's proposed second line. These are Alstom, Siemens, Bombardier, Construcciones y Auxiliar de Ferrocarriles (CAF) and Invensys. The second Metro line would run from Los Alcarrizos to San Luis, a distance of 22 kilometres and 24 stations, at an estimated cost of US\$600 million. Construction is expected to begin in December and should take an estimated three years to complete. Information on the project was released during the Forum for East Asia Latin America Cooperation (FEALAC) event held in Singapore. Soil tests for the new line began three months ago.

### **Blackouts are back**

Extended blackouts are once again being reported throughout the country. The problem is that the government has yet to pay the US\$100 million it promised the energy generators. The government owes US\$360 million. The spate of extended blackouts affecting the capital has brought about the closure of beauty salons, cafeterias and some small food stores have seen their sales fall by as much as 35% because they can't sell refrigerated products. Some areas have had to endure power cuts lasting up to 20 hours.



### **EVD country webpage**

The EVD has Central American country web pages where you can find up to date information, such as: business news, economical developments, tenders, country information (incl. fact sheet and laws), interesting sectors, activities, important documents and the business country guide from the Embassy of the Kingdom of the Netherlands. More information please visit website: [www.evd.nl/landen](http://www.evd.nl/landen). More information can be obtained from Marjolein Steinebach, country manager Central America, thru email [steinebach@evd.nl](mailto:steinebach@evd.nl) or by phone (0031) 070-778 8731.



### **Embassy of the Kingdom of the Netherlands as information source**

On the internet site from the Embassy of the Kingdom of the Netherlands in San José (for countries Panama, Costa Rica, Honduras and El Salvador) you can find general information on these countries in our resort but also specific commercial information. Our 'handelswijzers' business trade guides entails broad and up-to-date information on how to do business in each of the four countries, as a tool/guide for Dutch exporters and investors. Visit: [www.holanda.or.cr](http://www.holanda.or.cr) or [www.handelswijzer.com](http://www.handelswijzer.com) For more information you can contact our commercial department at the Dutch Embassy in San José thru email [nltrade@racsa.co.cr](mailto:nltrade@racsa.co.cr) or by phone (00506) 2296 1490 (Carel Richter, Hans Buhrs or Monique van Hussen). You can also contact our Consulaat-Generaal in Panama (Dieter Ploeger), Phone: (00507) 263 6494 or (00507) 264 7257. Email: [consuladonl@cwpanama.net](mailto:consuladonl@cwpanama.net)

For more information on Guatemala you can contact the commercial department of the Dutch Embassy in Guatemala City by email; [nlezgov@intelnet.net.gt](mailto:nlezgov@intelnet.net.gt) or by telephone (00502)

2381 4300 (Harman Idema, Susana Azurdia). More information on website: [www.embajadaholanda-gua.org](http://www.embajadaholanda-gua.org) .

For more information on Nicaragua you can contact the commercial department of the Dutch Embassy in Managua by email [mng@minbuza.nl](mailto:mng@minbuza.nl) or by telephone (00505) 276 8630 (Jan Bauer, Luis Bravo) More information on website: [www.embajadaholanda-nic.com](http://www.embajadaholanda-nic.com) .

For more information on Dominican Republic you can contact the commercial department of the Dutch Embassy in Santo Domingo by email [std-ea@minbuza.nl](mailto:std-ea@minbuza.nl) or by telephone (00 1 809) 262 0320 (Reinier Davina) More information on website: [www.holanda.org.do](http://www.holanda.org.do)