The Central American Region: a brief update
Central America: The Natural Bridge

**Strategic Position:**

- It serves as a natural bridge between North America and South America.
- Strategic Location (Facilitates Communication, Trade, Transportation, etc)
- Ideal Climate
- Economic Stability
- Market Access
- International Financial System
An Overview of Central America

**Population**
36,969,187

**GDP**
$90.15 Billion

**Total Area**
422,114 km²

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**Exports and Imports**

Exports: $22.921 Billion

Imports: $40.162 Billion

Source: BG, BCR, BCH, BCN & BCCR.
Trade between the U.S. and Central America

Export of Central America to the United State
US$ 9.361 Billion Dollars

Import of Central America from the United State US$13.037 Billion Dollars

Source: BG, BCR, BCH, BCN, DGA & BCCR.
Active fields for Project Finance

Tourism
Real Estate
Manufactory
Energy
Infrastructure
Recent Deals and Projects

- **HSBC** tender to acquire the Central America's largest privately owned bank Banistmo for US $1.8 billion.

- **Citigroup** acquired **Banco Cuscatlán**, for US$1.5 billion and **Banco UNO** and **Aval Card** for an amount not publicly disclosed.

- **Digicel Group**, an Irish owned company active in the telecom sector throughout the Caribbean acquired **Digicel Holding Limited**. This transaction included Guatemala, Honduras, Nicaragua and El Salvador. It will now compete with Telefonica and America Movil.

- **GE Finance** bought 49.9% of BAC International Bank, leader in credit cards in Central America, with option to buy 100%.

- **Televisa** bought the right to operate **Direct TV** in some countries of the region.
Legal Developments

Foreign Investments law
ADR laws, specially for arbitration
Full recognition to foreign awards
Trusts regulations
Security in Movable/Personal Property Law
FTAs in Central America

**Guatemala**
- Costa Rica, Honduras & Nicaragua – Panama (1975)
- Dominican Republic (2001)
- El Salvador & Honduras – Mexico (2001)
- Chile (2002)
- Canada (2002)
- Panama (2003)
- USA & the Dominican Republic (2006)
- Taiwan (2006)

**El Salvador**
- Dominican Republic (2001)
- Guatemala & Honduras-Mexico (2001)
- Chile (2002)
- Canada (2002)
- Panama (2003)
- USA & the Dominican Republic (2006)

**Honduras**
- Costa Rica, Guatemala & Nicaragua - Panama (1974)
- Central America & Dominican Republic (2001)
- El Salvador & Guatemala – Mexico (2001)
- Chile (2002)
- Central America-Canada (2002)
- Central America-Panama (2003)
- CAFTA-DR (2006)

**Nicaragua**
- Costa Rica, Guatemala & Honduras - Panama (1974)
- Mexico (1998)
- Central America & Dominican Republic (2002)
- Central America-Chile (2002)
- Central America-Canada (2002)
- Central America-Panama (2003)
- CAFTA-DR (2006)
- Taiwan (2006)

**Costa Rica**
- Guatemala, Honduras & Nicaragua – Panama (1974)
- Mexico (1995)
- Central America & Dominican Republican (2001)
- Central America-Chile (2002)
- Central America-Canada (2002)
- Central America-Panama (2003)
- CARICOM (2005)
- CAFTA-DR (2007)

Source:
- Integración Centroamericana
CAFTA-DR creates the second-largest U.S. export market in Latin America and the 13th largest U.S. export market in the world.

The United States exported $19.6 billion in goods to the five Central American countries and the Dominican Republic in 2006, more than all exports to Russia, India, and Indonesia combined.

U.S. exports to the CAFTA-DR countries increased by 16 percent in 2006 compared to the prior year, and continued to grow in 2007 and now 2008.
Tariff Exemption and Reduction:

- Agriculture
- Food products
- Manufacture
- Real State and Tourism
- Information technology
- Telecommunication
- Textile and Apparel
- E-Commerce
DR-CAFTA. SERVICES CHAPTER

- National Treatment and Most Favorred Nation
- No Limitations: suppliers, transactions, employees & legal entity
- No need of: representative office, enterprise, residence
- Transparency: Regulations Development & Application
- Mutual Recognition of suppliers education, licensing, authorization / Development of Professional Standards
- Free Transfers & Payments
Open Services Markets

Substantial market access in service sectors (with very few exceptions):
✓ Telecommunications, energy, transportation
✓ Financial services, including banking, insurance and securities
✓ Distribution services, such as wholesaling, retailing, franchising, express delivery
✓ Computer, audiovisual, entertainment and related services
Open Services Markets

- Construction and engineering services
- Tourism
- Professional services (architects, engineers, accountants, advertising, etc.)
- Environmental services
professional services means services, the provision of which requires specialized postsecondary education, or equivalent training or experience, and for which the right to practice is granted or restricted by a Party, but does not include services provided by trade-persons or vessel and aircraft crew members. The Parties shall encourage the relevant bodies in their respective territories to develop mutually acceptable standards and criteria for licensing and certification of professional service providers and to provide recommendations on mutual recognition to the Commission.
The standards and criteria mentioned may be developed with regard to the following matters:

- Education: accreditation of schools or academic programs
- Examinations: qualifying examinations for licensing, including alternative methods of assessment such as oral examinations and interviews
Experience: length and nature of experience required for licensing

Conduct and ethics: standards of professional conduct and the nature of disciplinary action for non-conformity with those standards

Professional development and re-certification: continuing education and ongoing requirements to maintain professional certification
Scope of practice: extent of, or limitations on, permissible activities

Local knowledge: requirements for knowledge of such matters as local laws, regulations, language, geography or climate

Consumer protection: alternatives to residency requirements, including bonding, professional liability insurance and client restitution funds, to provide for the protection of consumers.
The U.S. - Central American Free Trade Agreement (CAFTA) is a step forward in Central America’s integration into the international economy of today.

Without CAFTA, it is possible that the region will lose the long term benefits from improved trade and greater political, social and economic development.
CAFTA on its own might not be able to provide all these benefits, but it is hoped that it will be accompanied by policies that will make possible a favorable economic transformation.

The long-term benefits of the agreement for Central America appear to greatly outweigh the long-term costs. How much the region benefits will depend on how effectively the countries can manage the process of transforming their productive capacity.
Thank you for your attention!

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