Central America continues to face challenges resulting from high levels of poverty, unemployment, discrimination, increasing levels of delinquency, corruption, weak government institutions and a high vulnerability to natural disasters. The new era of democratization and political stability has emerged in CA where free and fair elections have become the norm for achieving political power, civil liberties are for the most part respected and civil society participation has increased. Over the last two decades, illiteracy rates have decreased by almost 9 per cent. Infant mortality rates decreased by at least 60 per cent in most countries, while life expectancy increased by 11 years in every country indicating that health conditions in CA have improved.

CA is not a poor region; it has been impoverished by the mismanagement of its resources. In spite of decades of natural and unnatural turmoil the region wants to take responsibility for its future. Even though a free trade agreement with the US, EU or Canada would not solve the existing challenges in the region; it would be a step in the right direction.

CA is currently experiencing difficulties in the agricultural sector. In agriculture the problem is competitiveness, thus there is a need to convert sectors in CA to find new areas of production. CA does not have the resources either financial the knowledge to diversify its economy.

Land distribution is both a social and economic issue and land ownership or the lack of access to land is not the real problem in CA. The major problem is productivity and the under-utilization of land. In Guatemala, for instance, only 10-15 percent of the land is used productively, thus indicating that inefficiency is the problem. Land reform is still important for countries with large indigenous and rural populations because of their cultural connection to the land and reform can stimulate the economy. Land alone does not sustain people. Producers need technical training and access to markets. Tax and wage reform must be tackled before addressing the issue of land reform.

CA needs to move forward in addressing some key areas, which need further attention, such as human rights, corruption, education, public safety, modernization of party system, environment, labour, taxation system and civil society participation. CA is important to Canada and thus the government will continue to enhance relations with the region.

The most appropriate role for Canada continues to be the facilitation of Central Americas ability to face its own challenges by providing financial support when possible, and more
importantly, technical assistance in the form of sharing knowledge like training) and capacity building including technology transfers to small-medium enterprises (SMEs). But SMEs need land and capital for sustained economic growth.

In the last few years the benefits of economic reform have started to be felt and outside partners, particularly Canada and the United States, have recognized that trade agreements with CA as a bloc can be supportive of overall developmental goals.

Current efforts to negotiate regional free trade agreements with Canada, the EU, the US and other countries, such as Mexico, demonstrate the region's interest in developing as a trade bloc within the hemisphere. CA nations have adopted the regional agenda and there is a willingness on the part of governments to discuss trade with private sectors and civil society.

However, CA integration is threatened by the political culture that has remained nationalistic and self-serving. Domestic issues can often supersede acting upon regional agreements. Governments need to focus on their long-term mutual objectives for regional development. By doing so they can achieve enhanced agreements when negotiating as a trading bloc.

The Government of Canada believes that a trade agreement with the CA4 would bring a wide range of benefits to all countries involved. This trade initiative is expected to boost trade flows between Canada and CA. Canadian goods exports to the CA4 totalled $212 million in 2003, and services exports totalled $51 million in 2001. Goods imports stood at $330 million in 2003 and services imports totalled $30 million in 2001.

An FTA with the CA4 will signal Canada's continued commitment to the hemisphere and would help advance Canada's foreign policy interests in the region. These policies include poverty alleviation, the consolidation of peace and democracy and macro-economic stability and growth. The potential development benefits of an FTA with the CA4 are important. The provision of increased access to the Canadian market holds the promise of encouraging faster economic growth, improved standards of living and a reduction in poverty. Canada's negotiating positions reflect development objectives, with due regard for Canadian domestic sensitivities in certain industries.

Free Trade Agreements (FTAs) are a sign of good political will between nations. An FTA with the CA-4 would basically be “risk-free” for Canada, as it would not negatively affect the business structure or the level of jobs. The exchange of services would mostly be from Canada to CA because of the need for the modernization of services in those countries. CA has more at stake and has more to fear than Canada does. CA is a marginal market for Canada and trade relations between these countries are complementary; hence a FTA would only add value to the current relation between Canada and CA.

The purpose of trade negotiations is attaining sustainable social and economic development, should lead to more secure, stable democracies. CA countries want to grow, develop and move beyond aid; hence these countries have “united” and have agreed that integration is a means to achieving that end.
STATUS OF CANADA CA4FTA

- Officials met in Canada on February 16-20, 2004 for the 10th round of negotiations with progress on issues of services and investment.
- Considerable advances were achieved in negotiations on the draft labour cooperation agreement.

OUTSTANDING ISSUES

- Work remains in the areas of market access for textiles and apparel products (benefiting from export subsidies).
- Market access for agricultural products has not been successfully negotiated.
- There has been no real opportunity for public or parliamentary debate on the proposed CA4FTA.
- Need to strengthen national capacities and institutions as being crucial for improving cooperation among the countries.
- June 2004 in Guatemala has been identified as the final round of negotiations.

CONCLUSIONS

- CA countries must form a common front in the international arena or they will encounter difficulties in having their concerns addressed.
- CA governments need to accept that local and regional agendas complement one another.
- SICA needs to get more information on the CA4FTA process to the public in order to halt the flow of adverse public reactions.
- CA4 governments should include civil society participation in transparent free trade discussions and make public the CA4FTA text.
- CS play an important role in lobbying their governments to respect their commitments and build a new culture of transparency.
- Agreements must include specific instruments that ensure domestic and regional development outcomes.
- Labour rights need formal protection through independent mechanisms.
- Differential Treatment ought to be flexible and effective without restrictive timelines that will hinder growth.
- CA governments need to further engage CS in regional decision-making process and should move to include organizations in their plenary meetings.
- It takes political will to achieve regional goals and excellent examples are Plan Puebla Panama, The CA Customs Union, CAFTA with the USA likely to be signed this month and the proposed CA4FTA with Canada.
- Governments with the support of CS must find ways to agree on policies that contribute to meeting the basic human needs of their people by ensuring fundamental respect for economic and social rights.
- New Leaders of C.A. need to reaffirm their commitment to the process of integration.
- There is a need to address the weaknesses in approaches to regional issues.
- Regional issues must be the priority over domestic issues.
- There is a need to streamline the bureaucratic process of SICA.
- Need to inform the public of positive attributes and actions of SICA.
- Need to call upon international players (US, Canada, EU) for enhance technical assistance to better prepare for the multilateral arena.

**SUBSIDIES**

- EU, US have erected massive trade barriers that impoverish the poor countries
- Spend billions subsidizing their own farmers
- Taxpayers pay to produce goods (cotton) when it is cheaper to produce offshore
- There is little to no effort in making concessions
- Brokering bilateral deals that threaten to undermine the multilateral trading system
- Bilateral agreements generally aim to boost the manufacturing and services sectors and do not address the imbalances posed governments subsidized farming
- Rich country subsidies prevent poor countries from the sale of their goods.
- Small numbers of farmers and a few large agricultural firms benefit at the expense of poor countries.
- Reducing subsidies is an urgent issue
- Subsidies threaten further progress on multilateral issues
- Rich countries need to cut support given to rich first world farmers and large agribusiness to respect multilateral engagement and alleviate further poverty