



The buzzing metropolis of Guatemala City

Guatemala: Land of Possibility

International investors are flocking to Central America's rising star as economic diversification and record tourism fuel solid growth.

Rich in untapped potential and boasting the region's best-performing economy, the Republic of Guatemala is making steady progress toward its socioeconomic goals as political and social stability attract high levels of foreign direct investment (FDI).

Blessed with outstanding natural resources, the country of 13.5 million people is a world-class coffee grower—Starbucks is a major buyer of its superb coffee beans—and leading exporter of agricultural products such as fresh fruit, sugar, rum, and flowers.

Called the "Land of Trees" by the ancient Mayan civilizations who roamed its tropical rain forests and magnificent mountains more than a thousand years ago, Guatemala is firmly focused on the future as it builds a thriving pro-business environment.

Since President Álvaro Colom took office in January 2008, the government's series of legislative and fiscal reforms has gained plaudits from independent international organizations like the International Monetary Fund (IMF) and the World Bank.

In a further sign of the solid progress being made in the region's largest economy, in June of this year U.S. credit rating agency Moody's raised Guatemala's credit rating to Ba1 from Ba2, citing a "stable macroeconomic environment supported by prudent fiscal and monetary policies."

That hugely positive development followed a promising review compiled by experts from the IMF that confirmed that Guatemala had emerged from the global financial crisis in good shape. More recently, the IMF reported that "Guatemala's economic recovery is firming up. The authorities' strong policy response to the global crisis ... has provided a solid foundation for the recovery. With a more benign global outlook, real GDP

growth is expected to exceed 2% in 2010, which is significantly higher than envisaged in the previous review."

President Colom's business-friendly administration has created a more prosperous and transparent economic climate that has, in turn, attracted more than U.S.\$1.8 billion in FDI since he took office.

According to forecasts by the Central Bank of Guatemala (Banco de Guatemala), that impressive figure is expected to surge by an additional U.S.\$1.5 billion over the next three years as foreign companies take advantage of the nation's huge resources. "Guatemala is a magical country with a very stable economy," states President Colom, an experienced businessman who enjoyed a successful career in the private sector before entering politics.

"Guatemala has significant potential to accelerate economic growth and alleviate its poverty through trade, regional integration, and tourism. In the middle of the global financial crisis, Guatemala was one of the few Latin American nations to record positive GDP growth [up 0.6% in 2009 from 2008]. Public debt remains one of the lowest in the region and the investment climate remains healthy."

A former professor and vice-dean of the economics faculty at Rafael Landívar University in Guatemala City, President Colom is also a former executive director of the National Fund for Peace (Fonapaz).

Against a backdrop of civil conflict that ended in 1996 with the signing of a peace accord, Fonapaz supported and



President
Álvaro Colom



President Colom and First Lady Sandra Torres de Colom are tackling social issues with health and education programs.

re-housed tens of thousands of former refugees and worked hard to eradicate poverty. The organization generated 75 new businesses, creating an estimated 23,000 direct jobs and more than 100,000 indirect jobs.

A member of the National Unity of Hope, President Colom has used his role as head of state to continue his humanitarian mission and raise living standards throughout the country.

Clinton Praises Tax Reforms

As Guatemala's main trade partner, the U.S. is a key commercial and political ally and major source of foreign exchange revenue. Following the signing of a major free trade agreement with the U.S. in 2006, U.S. investment in Guatemala jumped 22% in three years to 2009.

The ambitious republic is easily accessible from major U.S. cities, with Miami only three hours' flight time away, and New York, Chicago, Los Angeles, and Washington, D.C., all within a five-hour flight radius.

The two countries enjoy cordial bilateral relations and ties that are strengthened by regular talks and exchange visits among trade executives, government officials, and specialist investment advisors.

These strong bonds were illustrated in March of this year when U.S. Secretary of State Hillary Clinton visited Guatemala City for talks with President Colom. The high-profile meeting came shortly after similar talks in Washington, D.C., during President Colom's visit to the U.S.

During her trip to Guatemala City, Clinton noted: "The U.S. supports fiscal reform based on a broad consensus to increase transparency in public spending and to strengthen enforcement of tax laws. We want to work with partners like Guatemala to pursue these reforms for the benefit of all citizens.

"We strongly support the tax reform efforts being discussed, as Guatemala deserves better investment in public institutions like education, health, and housing. Transparency and enforcement of tax laws are essential for the future prosperity and progress of the Guatemalan people."

With a competitive business climate and modern infrastructure, Guatemala is the region's leading FDI destination as investors capitalize on its natural and human resources, low business costs, and secure regulatory environment.

Foreign investors are granted total freedom of movement of capital and distribution of dividends. A crackdown on corruption has resulted in higher levels of public- and private-sector transparency.

This progress was recognized by the global anti-corruption organization Transparency International during its annual survey of 180 countries and territories around the world. Ranked on the perceived level of public-sector corruption, the index saw Guatemala rise an impressive 12 places as transparency measures introduced by President Colom generated immediate results.

Outstanding FDI Opportunities

Potentially lucrative FDI opportunities are found throughout the country's diverse economy, but particularly in the agribusiness, manufacturing, mining, business process outsourcing (BPO), and tourism sectors.

"Guatemala deserves better investment in public institutions like education, health, and housing."

Hillary Clinton, U.S. Secretary of State

Many American companies—such as Citigroup, GE Finance and Wal-Mart—already have operations in Guatemala as they take advantage of its low costs, proximity to major markets, modern infrastructure, and excellent information and communications technologies (ICT) networks.

Official figures show that resource-rich Guatemala produces more than 4,000 types of goods that are sold in more than 130 markets around the world. The country is also the gateway to the vast Meso-America market—a region of nearly 70 million



President Colom and José Roberto Alejos, President of Congress

inhabitants and an economy estimated at around U.S.\$260 billion a year. “Guatemala’s strategic location is the perfect platform to the world’s largest markets,” says Virgilio Córdón, executive director of the government’s official investment agency, Invest in Guatemala.

“We have privileged access to both the Atlantic and the Pacific oceans, facilitating direct commerce with North America, Asia, and Europe through modern ports. Our legal framework does not discriminate between foreign and local investment, with freedom to move capital and repatriate dividends.”

Strong Social Cohesion

One of President Colom’s first priorities was to establish the Council for Social Cohesion (Consejo de Cohesión Social) to build a fairer, more equal country and attend to the needs of the half of the population that lives in poverty.

“Ours is the first government in 50 years to tackle social issues, and there have already been dramatic changes in the education and health sectors,” says the 59-year-old.

This firm commitment to current and future Guatemalan generations extends to numerous midrange and long-term socioeconomic development programs in the health, education, and welfare sectors. The initiatives offer greater access to health care, new housing, and financial incentives for parents who ensure that their children attend school regularly—a conditional cash transfer program called *Mi Familia Progres*a (My Family Progresses).

Other successful projects include the “Escuelas Abiertas” (Open Schools) program—a nationwide initiative in which 200 schools open on weekends and offer youngsters additional educational, social, and sporting opportunities within a safe environment.

Launched in 2008, *Escuelas Abiertas* provides children with free food and drinks, and gives the youngsters responsibility for organizing their own games, shows, events, and activities in a supervised arena. “We have received many ratings [from independent organizations] and all the indicators related to

education and health have increased,” President Colom states. “We are in the process of setting up a system that will give people free access to health services around the clock, which is helping to reduce neonatal mortality rates.”

Other flagship projects coordinated by the Council for Social Cohesion include food and nutrition programs, health strategies to reduce deaths during childbirth, better access to basic education and scholarships, and greater availability of drinking water.

As a founder of several social welfare organizations, First Lady Sandra Torres de Colom has traveled the country to support the broad range of projects aimed at boosting socioeconomic conditions for tens of thousands of ordinary citizens.

With an emphasis on improving the quality of life for all Guatemalans, the First Lady plays a prominent part in the fight against social ills such as poverty, malnutrition, and hunger.

Like her husband, the First Lady enjoyed a successful career in the private sector. Since entering the political arena, she has utilized her business knowledge to drive health and welfare programs. “Babies and young people represent the hope and future of Guatemala,” she says. “This is why we are committed to taking action to improve the lives of our people through greater access to higher standards of health care.”

Since President Colom established the organization, the Council for Social Cohesion has helped millions of families, directly and indirectly, through food packages and general improvements to infrastructure. Major achievements in the health sector include a reduction in the deaths of mothers during childbirth, greater vaccine protection, and lower rates of infections and respiratory disease.

While most of this success has been achieved in poorer rural areas, the launch of a sister organization aimed at supporting people in urban areas is a further sign of the government’s pledge to raise living standards across the country.

The majority of these projects are managed by the *Secretaría de Planificación y Programación de la Presidencia* (Secretary of Planning and Programming of the Presidency). With an emphasis on assisting youngsters and poor families living in Guatemala’s 22 regions, the program aims to provide short- and long-term sustainable solutions that benefit current and future generations.

Political Powers Drive Growth

In addition to an enviable strategic location, a major factor in the ambitious nation’s socioeconomic success is the political stability generated by a series of legislative reforms approved by the Congress of the Republic of Guatemala.

Led by President José Roberto Alejos, the Congress of Guatemala has helped strengthen the democratic rule of law and played a key role in the country’s emergence as a leading destination for FDI.

A dynamic politician who studied law and business



José Roberto Alejos
President
of the Congress



Guatemala's Mayan structures are a big draw for tourists.

administration in the U.S. before becoming a businessman and entering mainstream politics, Alejos is a key figure in his country's rise to prominence.

He has taken part in a broad range of political forums and conferences for more than 20 years. As director of several businesses, Alejos has gained valuable insights into the industrial and commercial sphere, which he is now using to benefit his country.

In July of this year, during a high-profile speech in Switzerland at the third meeting of the World Conference of Speakers of Parliament, the congress president highlighted Guatemala's solid socioeconomic progress.

"In the last 20 years, Guatemalan society has made a great effort to develop a true democracy based on the rule of law," Alejos said. "Institutional normalization has given way to a full respect for freedom of organization and political and social participation. It closed the chapter of social exclusion and enabled the signing of peace accords.

"It has been easier to dispose of dictatorial, authoritarian structures and build strong, democratic institutions... One of our biggest successes has been to eliminate the specter of electoral fraud."

Tourism At Record High

Tourism is one of Guatemala's most important and successful economic sectors, with increasing numbers of visitors from the U.S. and around the world experiencing the country's breathtaking range of natural and cultural attractions.

Now hailed as the "Land of the Eternal Spring," thanks to its year-round, temperate climate, Guatemala boasts an array of lush tropical rain forests, golden and black sand beaches, majestic mountains and volcanoes, ancient Mayan ruins, and eye-catching colonial architecture.

These wonderful attractions drew more than 1.8 million visitors in 2009, with the revenue generated from their trips worth an estimated U.S.\$1.1 billion. Latest estimates forecast that more than two million foreign visitors will arrive this year,

providing further evidence of the country's growing popularity and highlighting many FDI opportunities.

According to the Guatemalan Tourism Institute (INGUAT), demand for luxury hotel and resort accommodations far outstrips supply, and the agency is keen for investors to develop and expand the sector through the construction of new three-, four-, and five-star hotels.

This aim is in line with the National Policy for the Development of Sustainable Tourism, which affords priority to projects and initiatives centered on its outstanding portfolio of national treasures. These include tourist attractions like the mysterious Mayan temples at Petén, which are surrounded by tropical rain forests teeming with exotic animals, as well as Lake Atitlán—the deepest lake in Central America—and the ancient city of Antigua Guatemala.

Located just 45 kilometers from the republic's capital and awarded World Heritage status by UNESCO in 1979, Antigua Guatemala is considered the best preserved colonial city in the Spanish-speaking Americas. Featuring cobblestone streets and

"Our society has made a great effort to develop a true democracy."

José Roberto Alejos, President of the Congress of Guatemala

plazas, attractive parks and churches and museums dating back nearly 500 years, the city offers plenty of FDI opportunities throughout the tourism market.

Meanwhile, as the gateway to Guatemala, the country's bustling capital, Guatemala City, is the site of a large number of international conferences and conventions held there.

In 2007, the global spotlight fell on the modern metropolis of around three million people when it played host to the International Olympic Committee. In February of this year, the city hosted the third meeting of the World Coffee Conference. In a short time, Guatemala City has become the regional leader in the fast-growing business travel market. ●