

Guatemala: A Rising Star

Having successfully positioned itself as a world-class coffee producer, the Republic of Guatemala's fortunes are on the up. In recent years, the country has overcome substantial challenges, not least a civil war, to emerge as a nation with its finger on the global pulse, and high aspirations to use its extensive natural and human assets to grow and grow.

As well as celebrating its national day on Sept. 15, Guatemala is also celebrating a stable economy that has been recognized and praised by high-profile global financial institutions this year, including the International Monetary Fund (IMF) and the World Bank.

In June, Moody's credit ratings agency upgraded Guatemala from Ba2 to Ba1 status, citing a "stable macroeconomic environment supported by prudent fiscal and monetary policies."

Thanks to these achievements, a strategic location on the Atlantic and Pacific oceans, modern infrastructure, and sound legal and financial frameworks, the breathtaking country is fast becoming a prime investment destination.

Known for its coffee, rum, and fascinating Mayan culture, the republic is making great strides to increase growth and raise the



Alvaro Colom
President of
Guatemala

investment (FDI) by 2013 as its proactive government puts in place fiscal reforms and social programs aimed at eradicating poverty.

Important emerging market
Thanks to the combined efforts of businessman President Alvaro Colom and the private sector, Guatemala stands as one of the most important emerging markets in Latin America.

Through stabilizing reforms, free trade agreements with the U.S., the European Union (EU), Mexico and Taiwan, among others, and a welcoming approach to business, Colom has been able to position the country

with significant openings in agrobusiness, tourism, manufacturing, call centers and business process outsourcing, natural resources, energy and mining.

"Guatemala has significant potential to accelerate its economic growth and alleviate poverty through trade, regional integration and tourism," the president said, a claim that has been substantiated by the IMF.

At a review meeting in June this year, IMF officials said: "Guatemala's economic recovery is firming up. The authorities' strong policy response to the global crisis, supported by a Stand-By Arrangement with the Fund has provided a solid foundation for the recovery."

"With a more benign global outlook, real GDP growth is expected to exceed 2 percent in 2010, which is significantly higher than envisaged in the previous review. Downside risks to the outlook have declined further and stem mainly from a slower recovery in the U.S. and a sharper rise in oil prices."

"Performance under the program has been strong. All end-December 2009 and end-March 2010 quantitative performance criteria were met comfortably and inflation stayed within the inner consultation band agreed in the program."

Social cohesion a priority
Since coming into office in January 2008, President Colom

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IMF Official Report
June 2010

Alvaro Colom, President of Guatemala

living standards of its 13.5 million-strong population.

The largest economy in Central America, contributing 39.8 percent of the region's gross domestic product (GDP), it is on course to attract more than \$1.5 billion in foreign direct

investment and a competitive platform from which to tap into the vast Latin American markets.

Guatemala's plentiful natural and human assets offer countless investment opportunities,



Guatemala City: Central America's most developed metropolis.



President Alvaro Colom and first lady Sandra Torres de Colom (far right) at the inauguration of Colombia's president-elect.

has been actively addressing poverty and security issues within his country.

One of his first priorities was to establish the Council for Social Cohesion, "to build a fairer, more equal country, and attend to the needs of the half of the population that live in poverty."

"The biggest thing about Guatemala is the number of different cultures we have within our small land," he says.

True to his pre-election pledges, President Colom has introduced a number of important long-term socioeconomic programs, among them a drive to encourage parents to send their children to school by offering financial incentives, based on successful programs in other developing countries.

First lady Sandra Torres de Colom has demonstrated an active commitment to the country's development through her much-admired work with the Council for Social Cohesion. "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," he says.

Bilateral relations grow

Diplomatic relations between Japan and Guatemala were formally established in 1935 and continue to thrive. Exports of coffee, sesame and cardamom to Japan in 2008 totalled ¥15.51 billion (\$183 million) while imports of automotive products, steel and electronic apparatus amounted to ¥29.23 billion (\$345 million.)

Japan is one of the most generous benefactors to the Central American country and over the years, has provided billions of dollars in bilateral aid for development and humanitarian projects, including drinking water supplies to the towns and countryside, agricultural initiatives, infrastructure, education and child health projects and expertise across many areas.

When the Agatha storm devastated the municipality of Masagua earlier this year,

Japanese officials made personal visits to deliver tents, plastic sheeting, a water purification machine, water tanks, blankets and mattresses for 3,826 families affected in this municipality, with an approximate total of 19,000 beneficiaries.

Between 2004 and 2008, Japan's overseas development agency donated \$683.8 million to the Central American country, and there is more ring-fenced in the coming years for poverty reduction, sustainable growth, efforts to address global problems and peace building.

Investment openings

An entry point to the Central American market (37 million inhabitants), Guatemala has a unique biodiversity, as well as 350 microclimates, that provide a variety of raw materials available all year round.

Guatemala has enormous potential in gold, nickel, tin and other light materials that are currently being explored and mined. This natural wealth

offers several opportunities for investors as well.

Guatemala benefits from having plenty of skilled labor; loading ports on both the Pacific and Atlantic oceans; a positive quality-price ratio; food security plans that are being used as world models; and state-of-the-art technology.

As part of its growth acceleration program, the government continues to promote Guatemala as a competitive destination. The National Program on Competitiveness, (PRONACOM), established in 2004, has been fully supported to coordinate the private and public sectors and stimulate growth.

The government's goal to receive FDI of \$1.5 billion by 2013, together with local investments of \$10.7 billion, would be equivalent to 25 percent of the country's GDP.

This rate of investment could sustain economic growth of more than 6 percent a year, which is what the country needs to reduce poverty levels.

High-quality coffee country

Guatemala has been producing some of the best coffee in the world for more than 150 years; now this superior product is wowing markets around the globe, especially in Japan.

Guatemala's distinct microclimates and traditional processing methods make its coffee unique. High altitudes, ideal rainfall patterns, mineral-rich soils and abundant water supplies all combine to make a vast assortment of flavors.

A time-honored artisan trade, coffee growing and processing has been handed down through the generations, with around 80 percent of coffee production carried out on small and medium size farms in high-altitude zones.

The industry is such a vital feature of the Guatemalan landscape that only three of the country's 22 geographical departments do not produce the brown stuff.

Most farms in Guatemala have their own wet processing mill, so the coffee can be handled exclusively from harvest to bag by a single farm. Hundreds of farms and an increasing number of cooperatives now export under their own registered trademarks. The country's superior coffee

is the premier import for coffee giant Starbucks, while Suntory, Japan's beverage manufacturer, in cooperation with Guatemala's National Association of Coffee Producers (ANACAFE) sells the Rainbow Mountain canned coffee brand successfully throughout Japan.

After the United States, which accounts for 49 percent of all Guatemala's coffee exports, Japan is its biggest customer, with a 16 percent market share. Exports to the Asian country grew from 250,000 60-kg bags in 2003, to 604,367 bags last year.

The decision by Guatemalan producers to focus on high-quality coffee production a decade or so ago has paid off handsomely because, although total coffee production has remained at similar levels, the industry's financial security has strengthened. According to a report published in May by the Global Agricultural Information Network (part of

the U.S. Development Agency's foreign agricultural service), Guatemala's coffee production for 2011 is slated to be 4 million bags, the same as 2010.

While alliances have been made to increase production and exports, domestic consumption has doubled in the past five years, thanks to creative marketing campaigns and an explosion of coffee shops and Internet cafés.

Excellence rewarded

Guatemala has also performed consistently well in the innovative Cup of Excellence (COE) online coffee auction program, that was launched in 2000 to recognize and reward top coffee producers around the world.

As part of the COE competition, the best coffee produced in a particular country during the year is entered and scored by a panel of esteemed judges and connoisseurs. The final winners are

awarded the prestigious Cup of Excellence® and sold to the highest bidder during an Internet auction.

Having been recognized in the industry as being a quality producer, a winning farm and often the whole region receive future visits from roasters looking to buy more quality coffee for their companies. Auction money can be spent on farm improvements or family education, which can change their economic livelihood for the long term.

Hidetaka Hayashi, the Gourmet Project consultant for Japan, set the stage during the first-ever event for what was to become a critical fanbase of support from Japanese consumers and roasters alike for winning coffees.

Guatemala's positive reputation as a premier coffee producer was sealed earlier this year, when the country successfully hosted the Third World Coffee Conference in Guatemala City.



Guatemala's high altitudes and different microclimates make it the perfect place for coffee production.



President Álvaro Colom of Guatemala (fourth from left) with José Roberto Alejos, president of the Congress (second from right). Both are committed to a more democratic, socially cohesive Guatemala.

A true democracy looking to the future

Guatemala's modernizing agenda is wooing investors, who find the reality of doing business in this forward-thinking country goes against expectations, with its competitive climate and ease of doing business.

This beautiful, resource-rich country with a strategic Central American location is on course to become a significant world player within the next decade.

Its dynamic government is working hard to eclipse the nation's blighted past with far-reaching reforms aimed at tackling poverty and corruption and placing social cohesion and transparency at the top of the agenda.

Almost since it became independent from Spain in 1821, the mountainous country has suffered internal conflict and huge social disparity. Around three quarters of the indigenous population, which constitutes 38 percent of the country's 13.5 million people, are currently living below the national poverty line.

A peace accord signed in 1996 ended a 36-year guerrilla war and opened the door to inward investment but despite a stable economy, factors such as corruption and public security have hindered any meaningful development.

Today, however, thanks to the work of a proactive government and a willing private sector, the country is poised to enter a new and more positive chapter of its history.

The real Guatemala

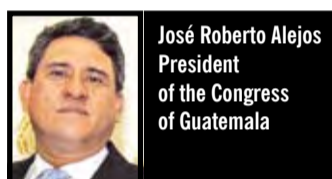
Foreigners arriving in Guatemala are usually surprised by what they find. Because of negative news reports in the past, they imagine the economy is bankrupt, with cities and towns on the brink of collapse.

The reality is different. Guatemala is a beautiful and vibrant country, full of life and opportunities that can be enjoyed by locals and visitors alike; in short, a country developing and progressing at pace.

As well as nurturing the economy, the Colom administration has expressed its complete respect for the constitutional mandate that the state is the guarantor of life, liberty, justice, security, peace and development of the individual.

Within its to-day-to-day framework, the government is working on promoting FDI and increased domestic investment, encouraging tourism development, improving physical infrastructure, technological and scientific development, and improving ethical behavior and the social commitment of taxation.

State policies implemented by



José Roberto Alejos
President
of the Congress
of Guatemala

President Colom and his team, while providing all the necessary infrastructure to meet the expectations of any business, will combine with exceptional living conditions.

The government has also brought in a legal framework that does not discriminate in any way between foreign and local investment, with total freedom of movement of capital and distribution of dividends, and is pushing ahead with fiscal and constitutional reforms.

High returns on investment

Thanks to its political stability, Guatemala is a country that is consolidated and offers the large, medium and small investor the option to enter productive sectors that guarantee high returns and stability in the short, medium and long term.

With the best transparency record in the region, according

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President of the Congress of Guatemala

to Transparency International, Guatemala offers the freedom of capital mobility and unlimited repatriation of profits for any foreign investor, and has enjoyed low and controlled inflation for over 10 years.

The strengthening of the democratic rule of law has also been a central theme to the president's post-election priorities.

International recognition

Such actions have been welcomed in the international arena, and it is expected they will expedite the work that has been undertaken in these areas since the peace accord was signed.

Speaking at the third edition of the World Conference of Speakers of Parliament at the United Nations office in Geneva this year, José Roberto Alejos, president of the Congress of the Republic of Guatemala rang the

changes within his country:

"In the last 20 years, Guatemalan society has made a great effort to develop a true democracy based on the rule of law ... 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."

Alejos, who studied business administration and law in the U.S. before entering politics, has participated in a range of political forums and conferences for more than 20 years. As well as being an astute and principled politician, he is also the director of a number of businesses, which has given him a valuable insight into the economic sphere.

Noting the importance of press freedom, transparency and democracy for accountability,

popular destinations in Latin America for this type of work.

As one of the main emerging markets within the region, Guatemala provides an excellent option as an FDI destination for Japanese businesses.

Foreign investments in the country amounted to \$837.8 million in 2008, including new companies that arrived and established companies or expanded their operations. Post-recession, that number is slated to grow again.

Related growth areas

Guatemala's GDP reflects the high productive potential of the country, with industry, agriculture and trade the main engines of the economy.

Sectors such as services, transportation and construction have also experienced important growth, and have contributed to the economic growth of the country as a whole.

Its geographic location grants privileged access to both the Atlantic and Pacific oceans, and it is able to trade directly with Asia, North America and Europe from modern seaports on both coastlines. There are 16 free trade zones with more than 200 users.

Although it has a developed road infrastructure, the government is currently developing Public Private Partnership (PPP) legislation with the purpose of improving and expanding ports, airports and highways.

This will provide more important and high-yield investment opportunities for foreign construction firms.

As the hub of the Meso-American region, which extends roughly from central Mexico to Honduras and Nicaragua, Guatemala also offers considerable trading potential.

The Meso-American region, with more than 50 cities—half of which are located in Central America—has a population of 67.4 million people and an economy equivalent to \$154 billion.

Solid financial system

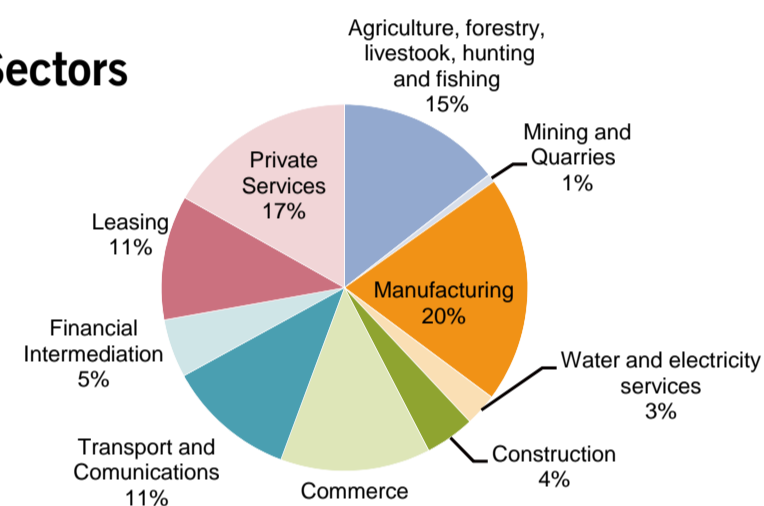
Guatemala enjoys a solid, competitive and well-regulated financial system, with excellent international reserve levels and the lowest foreign debt in the region.

In recent years, strong mergers and acquisitions have led to the creation of much larger banks, which has allowed them to better serve larger clients and provide world-class services and prod-

'During this term, agreements on crucial aspects of Guatemalan democracy have been realized [...] which shows people are mobilized to defend and secure the values of coexistence, democracy, justice and peace.'

José Roberto Alejos
President of the Congress
of Guatemala

GDP by Sectors



Source: Banco de Guatemala January 2009 Web Page: www.banguat.gob.gt

ucts. Small and medium-size banks have, in the meantime, concentrated on developing specific market niches.

Comparative advantages

Although tourism development remains a priority, agriculture—accounting for 15 percent of GDP is a crucial component of Guatemala's export and domestic economies, and employs 50 percent of the labor force (1.7 million workers).

With excellent quality produce, such as coffee and fresh fruit and vegetables in plentiful supply, the agribusiness sector offers some of the greatest development and competitive opportunities for Guatemala, with a range of

related industries contributing to the productivity of different industry branches and providing greater added value.

Long-term strategies that enable the strengthening and development of the sector and its clusters have been devised providing stability to agro-industrial investments.

Guatemala's agribusiness sector offers great competitive advantages, such as proximity and quick access to markets in North America (with 325 million inhabitants) and Mexico (with 100 million inhabitants.)

With 85 percent of its people under 45 years of age, Guatemala is also one of the most potentially productive nations in the region.

The country also boasts the best telecommunications law in Latin America. Private firms can operate with minimum government intervention, with special advantages available for call center and BPO investors.

The modern telecommunications network includes 19 local network operators and 17 international portal operators, strengthened by three of the most advanced fiber-optic rings in the region, which allows for lower connection times, competitive costs and efficient connections.

Telecommunications have recently become one of the most dynamic investment fields in the Guatemalan economy with consistent double-digit growth rates.



Guatemala's Congress in the capital, Guatemala City.

Promoting high-end, diverse tourism packages

With a mountainous topography similar to Japan, and a unique natural and cultural tourism package, Guatemala remains high on the list of places to see.

Guatemala's excellent geographic position near Mexico and the U.S., its political stability, natural and cultural richness and temperate climate are all competitive advantages that make the country an attractive travel destination for travelers the world over.

The service industry contributes the largest segment of Guatemala's GDP (57 percent) and employs about a third of the nation's total workforce (1.2 million workers), with tourism the most profitable component.

Guatemala has become an extremely popular travel destination in the last decade. As the "Heart of the Mayan World," Guatemala attracts around 1.62 million visitors a year, according to INGUAT, the government's tourism agency.

products and destinations promoting the country.

Guatemala provides a comprehensive tourism product and boasts a large variety of high-quality tourism segments, such as:

- Archaeology
- Colonial history and legacy
- Indigenous culture and communities
- Volcanoes
- Fishing
- Eco-tourism and adventure
- Beaches on the Caribbean Sea and the Pacific coast

Region by region

The country is distinguished by different regions, each offering something different. The capital, Guatemala City, located in the geographical heart of the country, is home to around

exploration, is set to become a world-class tourist destination.

Beach lovers, meanwhile, enjoy the tranquility of the Caribbean coast at Izabel, which again has much potential for development. Despite being increasingly popular as a cruise stop off, Izabel lacks the hotels needed to lure longer-stay, more affluent guests.

Atitlán is another jewel in Guatemala's crown, its beautiful lake and Mayan traditions drawing visitors from afar. The natural landscape lends itself to adventure and extreme sports, and once again, it represents an excellent opportunity for exclusive hotel and resort projects.

The arrival of cruise ships on the Pacific Coast has doubled in the last four years. One of the best destinations in the world for sport fishing, Guatemala's Pacific coast hosts a number of world-famous fishing tournaments.

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Business and medical tourism

The Meetings, Incentives, Conferences and Events (MICE) industry, one of the most important and fastest growing in international travel, is making a significant impact on Guatemala.

The country has made a sustained effort to attract corporate sponsors of MICE programs, from training seminars to major worldwide events like the 119th International Olympic Committee Session in 2007.

It offers modern convention facilities, ample accommodations in first-class hotels and nearby attractions of interest to corporate travelers such as golf courses and colonial Antigua Guatemala. There is a 23,000-sq-meter expo center in Guatemala City, frequently booked for trade shows by regional bodies.

Keeping up with another world trend, Guatemala provides an excellent backdrop for medical tourists wanting a perfect blend of first-class health services and charming tourist destinations.

Guatemala has made a sustained effort to attract corporate sponsors of MICE programs and provides the perfect backdrop for medical tourists wanting first-class health care services combined with charming attractions.

'The Heart of the Mayan World attracts 1.62 million visitors every year.'

INGUAT, Guatemala's Tourism Agency

With tourism receipts at \$1.1 billion for 2009, tourism is the sector with the highest potential for growth, and the government is making solid efforts to expand tourism and attract more foreign visitors to Guatemala.

Land of Eternal Spring

The country that claims an "Eternal Spring" climate, a fascinating cultural heritage from the indigenous Mayas and stunning beaches, Guatemala really does have something for everyone.

But although the attractions and accommodations are of excellent quality, higher grade hotels and other accommodations are needed in most of the country's resorts and heritage centers.

The government and investment agencies, like Invest in Guatemala, are working hard to encourage better marketing and information on tourism

4.2 million people and the most developed city in Central America. As well as maintaining its Mayan flavor and colonial heritage, it offers visitors a comfortable and cosmopolitan stay, with museums, shopping malls, restaurants, golf courses and nightlife all close at hand.

Antigua Guatemala (Ancient Guatemala) is the best-preserved colonial city in Guatemala and was made a UNESCO Humanity Heritage Site in 1979. A high-quality tourism destination, there are major opportunities here for residential, hotel or boutique hotel development.

With the richest rain forest in Central America, Petén is home to some of the most outstanding Mayan attractions in the country. The ancient Mayan city of Tikal was also declared a UNESCO Humanity Heritage site 31 years ago, while the Maya's main city of El Mirador, currently under archaeological



Cathedral of San José, Antigua Guatemala.



Petén is home to some of the most outstanding Mayan attractions in the country.

A competitive player in Central America and beyond

With tempting incentives and a pro-business government, Guatemala is an excellent destination for foreign direct investment and Japanese businesses seeking rich rewards.

With modern infrastructure, developed telecommunications, a highly skilled workforce and state-of-the-art technology at its disposal, the country has not only become one of the main emerging markets within the region, it is also a nice place to live.

Boasting breathtaking natural beauty, a distinct, colonial charm, and a year-round "Eternal Spring" climate, it continues to draw new residents from abroad.

With the largest economic market in Central America, Guatemala has a GDP of \$66.4 million, according to the IMF, with its low fiscal deficits reflecting the high productivity potential of the country.

Although industry, agriculture and trade are the main engines of the economy, sectors such as services, transportation and construction have experienced important growth.

These factors have, in turn, contributed to the economic growth of the country. And, with opportunities in the agro-industry, tourism, manufacturing, call centers and BPO, energy, mining, oil and gas, and infrastructure, Guatemala's economy is the most diversified in Central America.

With a strategic geographic location that grants privileged access to both the Atlantic and Pacific oceans, Guatemala is able

to trade directly with Asia, North America and Europe from three modern ports on both coastlines.

Improved commercial access

Free trade agreements with the largest world markets, including the U.S., Mexico, the EU and Taiwan, constitute a tool for the country's development and are a basis for the promotion of FDI.

Five years after it was signed, the DR-CAFTA (Dominican Republic-Central America Free Trade Agreement) has seen Guatemalan exports to the U.S. grow by 3.4 percent, although without the global crisis and the knock-on effect of a decrease in consumption, this figure could have been much higher.

The government and business community are trying to add value in the market, create greater market niches and improve search productions to make it more competitive.

Like the U.S., Japan is one of the world's largest markets, and Guatemala benefits from the comparative advantage of this close proximity and good sea and air transport links to lucrative Asian destinations.

Distinct Guatemalan products like coffee, rum and fresh produce are also given access to wider

international markets.

President Colom's government has done much to reduce or eliminate customs barriers, establish transparency and provide a legal framework that does not discriminate between foreign and local investments with freedom to move the capital and to repatriate dividends.

A transformed economy

Guatemala's changing face is evident from its export figures. In 1986, for example, 65 percent of exports were traditional products of coffee, sugar, bananas and cardamom.

Today, these commodities account for less than 40 percent of total exports, with non-traditional products, such as textiles, handicrafts, manufacturing, vegetables and fruit, taking a larger stake. The country exports more than 4,000 products to 131 markets around the world, and boasts around 4,000 companies promoting Guatemalan trade.

The country is the premier exporter of Chinese green peas to the U.S., the No. 1 exporter of cardamom and poinsettias in the world, the leading supplier of wood for Yamaha and Gibson, the leading supplier of manufactured products in Central America and the first supplier of coffee for the Starbucks brand.

Although it has a modern and developed road infrastructure,

the government is currently developing PPP legislation with an aim to improve and expand ports, airports, and highways.

Manufacturing base

Previously characterized by clothing and textiles, Guatemala's manufacturing and assembly sectors are now open to electronics, auto parts and medical supplies. Its main partners are Central America, the U.S., the Caribbean, South America and the EU.

With a strong human capacity and world-class technology, call centers and BPO offices are

to transform the country. Along with the National Program of Competitiveness (PRONACOM), it has a mandate to improve the business climate and accelerate economic and productive growth.

Providing excellent support for investors, the government agency acts as a one-stop shop, offering an important network of contacts and services that include facilitation of initial operations, practical assistance and operational support, up-to-date information, and personalized visits.

Under the guidance of executive director Virgilio A. Córdon,

'Our advisers are recognized for their professionalism, commitment, and confidentiality.'

Invest in Guatemala

becoming a significant part of Guatemala's economic landscape.

Competitive labor costs, high industrial standards and bilingual staff are making Guatemala one of the most attractive in Latin America.

One-stop shop for investors

Invest in Guatemala plays a pivotal role in promoting Guatemala internationally and attracting the investment needed

Invest in Guatemala's advisers are specialized in providing solutions for clients, and, Córdon says, are recognized for their "professionalism, commitment, and confidentiality when handling client information."

A full range of incentives is available while foreign investment laws have been simplified to make them more business-friendly. More information at: www.investinguatemala.org

This report was produced by Global Insight and can also be read online at: www.japantimes.co.jp/international-reports



President Colom allocates houses to people affected by Storm Stan.