

GUATEMALA

Moving beyond expectations

BUSINESS ENVIRONMENT

Guatemala has transformed its economic prospects with business-friendly legislation and fruitful partnerships between the public and private sectors in strategic industries to foster growth

Moving a country forward is not just a matter of dreaming. Over the past four years, pandemic included, Guatemala has followed a road map for progress, creating financial conditions and legal structures that have fueled significant economic expansion.

In the words of President Alejandro Giammattei, the “rails have been laid down” so that the train of progress can advance more rapidly.

Guatemala has become a more attractive destination for inward investment with greater legal guarantees and simplified bureaucracy. In turn, the influx of foreign capital is helping the country to become a bigger exporter.

Traditional industries such as tourism have been given an investment boost, and the vision of making Guatemala a significant nearshoring destination is taking hold as the public and private sectors have come together to build a more dynamic business environment.

For the president, whose mandate ends in January 2024, it was the COVID-19 pandemic that brought the government and private business closer together in a strategic partnership to keep Guatemala moving forward. Remarkably, after the initial stoppages and disruption from the worldwide impact of the pandemic, Guatemala registered gross domestic product growth of 8% in 2021.

But, even more importantly, a package of reforms was already in motion to transform the business environment. One-stop shops were created for companies wishing to export, others that import and for foreign businesses looking to invest in Guatemala. The business registry process has been digitalized 100%, with the promise that setting up a company in the country can now be done in three days.

To offer meaningful legal guarantees to foreign investors, Guatemala has introduced the Law for the Promotion of Foreign Capital Investment, which offers special tax treatment for companies and individuals that meet specified requirements and conditions. The guarantee lasts for between three and 10 years, depending on the nature of the investment.

Separately, a new Free Zone Law has led to a rapid expansion of Special Public Economic Development Zones (ZDEEP). Eighteen ZDEEP are now in existence or being developed, allowing companies operating there a 10-year exemption from income tax and a duty-free regime in terms



Guatemalan President **Alejandro Giammattei**

“Guatemala is a small country with great opportunities. Through alliances between the government and the private sector and our country brand strategy, we have established the foundations for the future economic development of the country.”

ALEJANDRO GIAMMATTEI

of imports and equipment required to carry out their production activities.

One of these sites being developed in the south of the country is Synergy Industrial Park, a hugely ambitious development that, besides state-of-the-art business units, also includes residential development, vacation housing, education facilities,

hotels and entertainment complexes. The project managers calculate that Synergy will eventually provide 1,500 jobs for the local community.

In the west, by the Mexican border, the free-zone policy has seen the arrival of Japanese auto parts giant Yazaki, which has become the first vehicle component maker to operate in Guatemala. The plant in Ayutla is one of 600 Yazaki facilities worldwide, producing parts including sensors and data systems for traditional autos as well as hybrid and electric vehicles.

Guatemala’s main exports are still agricultural products, including coffee and spices, but the vision is to dynamize the manufacturing sector through increased nearshoring deals with companies from North America and elsewhere. The clothing, technology and light manufacturing sectors have all benefited from increased inward investment in recent years, with companies including Nextil Group, Emergent Cold and manufacturing giant Tata moving production to the country.

Indeed, the country’s administration celebrated earlier this year reaching its target of \$5.7 billion in foreign direct investment (FDI) over its four-year mandate. Money invested in Guatemala allows the country to turn its trade balance in a favorable direction. The year 2022 saw a 15.2% rise in exports; Giammattei predicts that the country’s total exports will have doubled by the time he leaves office compared with four years ago.

The outgoing administration also leaves a diplomatic legacy it says has succeeded in generating greater confidence in the country thanks to closer relations with major global democracies.

Under the president’s policies, Guatemala has signed a free trade agreement with Israel and is set to enter a deal with South Korea. It has also shown support for Taiwan and offered one of Latin America’s few clear voices of support for Ukraine in response to Russia’s invasion of its neighbor. In terms of diplomacy’s dividends, Guatemala’s government points to the boost in FDI and improved connectivity, with at least seven more international airlines flying into the country than before the pandemic.

“Being on the right side of history is a way to generate trust with the international community; it doesn’t all come down to whether or not you sign a free trade agreement with someone,” concludes Giammattei. ■■■■



Guatemala City

A deep transformation to attract investment

Representatives from the Guatemalan government and the private sector signed the inter-institutional cooperation agreement Guatemala Moving Forward (Guatemala No Se Detiene in Spanish), which establishes a road map to attract more foreign investment and improve conditions for the Guatemalan economy and inhabitants.

The agreement, signed by the Economy, Finance and Foreign Affairs ministries, as well as the Bank of Guatemala, the Municipality of Guatemala, the Guatemalan Exporters Association (AGEXPORT), and the Foundation for the Development of Guatemala (FUNDESA), aims to coordinate efforts to attract foreign capital and create jobs.

This agreement is the product of a national effort and a government priority, as it will strengthen the Economy, Competitiveness, and Prosperity Pillar of the government’s General Policy 2020-2024.

Through the guidance and cooperation of the institutions that signed the agreement, the plan recommends two specific strategies:

1. Strengthen the sectors in which Guatemala already excels in order to boost exports by an extra \$5 billion through industries such as textiles and apparel, agriculture, food and beverages, and chemicals.

2. Attract new investment by capitalizing on the competitive advantages of our closeness to important global markets (nearshoring) in industries such as pharmaceuticals, medical devices, electronics manufacturing, and business process outsourcing. Together, these industries have the potential to attract an extra \$300 million in foreign direct investment (FDI). ■■■■

INVESTMENT PROMOTION

20 high-potential products FDI in four key sectors

- Medical devices
- Pharmaceuticals
- Manufacturing
- Business services

HUMAN CAPITAL

High school English and computer programming

- Accelerated English courses
- Programming bootcamps

INFRASTRUCTURE

Strengthening the Ministry of Infrastructure

- Project structuring
- End-to-end processes
- Securing funds: \$3 billion
- H2 : 10 sectoral reforms

TOURISM

World-class destination:

- Mayan Biosphere Reserve
- Antigua Guatemala
- Atitlan Project
- Guatemala City

LEGAL CERTAINTY

Guatemala: a fully digital state

- Modernizing the judiciary to become a global model
- Great National Agreement for Transparency

spectrum

We develop industrial and logistic solutions

- ✈ 2 International Airports
- ⚓ 3 Seaports
- 🚚 11 Customs Offices

Access to both oceans

Flexibility

Strategic location

World-class services

www.synergy.com.gt

Transforming the future of coffee together

GUATEMALAN COFFEES

Discover what makes Guatemalan Coffees so special and what is being done to lead the coffee industry with a thoughtful and innovative approach that benefits everyone involved in the supply chain

Since the first plants came to Guatemala in the mid-1700s, coffee has been a catalyst for the economy and the development of the country.

By the end of the 19th century, coffee cultivation had spread throughout the country, adapting to and overcoming the harshness of nature to move forward. It was around this time that the quality of Guatemalan coffee began to be acclaimed.

In 1960, the Guatemalan National Coffee Association (ANACAFE) was founded, aiming to support the local industry and improve its competitiveness. In the 1990s, the association decided to focus Guatemala’s competitive advantage on its well-known quality, and the brand name Guatemalan Coffees was launched.

Despite being small in size, Guatemala is a very diverse country in terms of topography, microclimates and culture. The country has a variety of ecosystems that have an impact on the quality of coffee.

Today, coffee production is recognized as an intangible heritage of the country. It is still one of the main agricultural exports, and its quality keeps it top of mind among roasters and consumers.

It is a source of income, employment and pride for more than 125,000 Guatemalan families.

Guatemala is the first origin country to come up with the idea of profiling coffee regions, showing consumers that varieties, microclimates and growing conditions have a huge impact on its taste.

These profiles describe the most relevant characteristics of the coffees produced within a region. However, when analyzing a coffee individually, people are often surprised by its complexity.

After 25 years, it has been time to innovate and reinvent. In 2021, ANACAFE identified the unique characteristics and advantages of the Guatemalan Coffees brand and launched a strategy to find new ways to improve the income of coffee producers and their families and benefit the entire supply chain. With this, the association aims to increase the international consumption of these unique coffees in a long-term and sustainable way.

Guatemalan Coffees has made its mark on the international stage. The coffees under this brand consistently rank among the world’s best, winning awards



GUATEMALAN COFFEES

and garnering praise from coffee enthusiasts worldwide. The unique flavor profiles, commitment to sustainability and rigorous quality-control measures make this brand a true treasure to discover.

This recognition has greatly contributed to Guatemala’s economy and its global image, creating a community that works together in an inclusive manner, from producers to consumers, for the future of Guatemalan Coffees. ■■■■

An opportunity to prosper



THINK TANK

FUNDESA works to create wealth and assist development with its expertise in business openings and commitment to collaboration between stakeholders

The Foundation for the Development of Guatemala (FUNDESA) is an independent, private-sector think tank whose mission is to help make a more prosperous Guatemala by creating greater business opportunities, improving the country’s human capital and strengthening its democratic institutions.

FUNDESA works with key public-sector and nongovernmental stakeholders to identify opportunities for economic growth, while also encouraging investment in essential services, such as education and health, as well as infrastructure to ensure that success benefits all members of society.

For FUNDESA Executive Director Juan Carlos Zapata, the time is ripe to develop a win-win environment for the business community and Guatemalan society at large.

“Guatemala has the opportunity to generate 2.5 million new jobs in the next 10 years. At FUNDESA we are working with the government, civil society organizations and universities to create a more competitive country, which can attract FDI (foreign direct investment) and take advantage of the nearshoring opportunities that the region has to offer,” Zapata explains.

To this end, FUNDESA works to provide objective information, technical knowledge and insightful proposals for the economic and social development of Guatemala. The think tank seeks to identify and advance key projects that will result in long-term gain, and acts as an interlocutor with both national and international actors to promote innovation and the introduction of new approaches into the country.

The organization is committed to strengthening democratic institutions and

preserving the rule of law as the ultimate guarantees that economic progress and greater employment opportunities will serve to reduce poverty.

One of FUNDESA’s key mechanisms for achieving its goals is its Local Competitiveness Index, a tool that enables a comparative evaluation of competitiveness in the country at a regional level. The 12 pillars evaluated range from infrastructure and institutions to financial institutions and capacity for innovation, with the overriding objective of pointing out investment opportunities capable of generating new jobs in the country.

The next step is to foment the collaboration of local and national authorities with the common goal of guiding public policy toward evidence-based development planning.

Looking outward, FUNDESA offers its knowledge to foreign investors, putting them in touch with the right stakeholders to advance their ideas. “By working with different partners, we build on our local expertise to better serve our global investor base,” Zapata concludes. ■■■■

Dream destination: A land where history is still alive and nature retains its splendor

TOURISM

With its ancient-but-living culture and natural 'megadiversity,' Guatemala is ready to be the next great destination for tourism and investment in Central America

Guatemala offers experiences that no other land can match. Now the country's tourism authorities are working on an ambitious project to develop the industry's capacity to surprise and captivate more visitors than ever before while taking extreme care to protect and nurture the cultural and natural resources that make Guatemala so unique.

Guatemala's history is still living and breathing: 3,000 years of culture can be witnessed through the 22 different Mayan ethnic groups that make up half the country's population. Add to this Garifuna culture — people of mixed free African and indigenous American ancestry — plus the Xinca culture and Spanish-ladina heritage, and a fascinating tapestry of historic interweaving emerges in front of our eyes.

"We have a country with more than 3,000 years of cultural wealth, which is something you won't see in any other country," says the General Director of INGUAT (Guatemala's tourism institute) Anayansy Rodriguez.

"You can go to an archaeological site anywhere in the world, but at our sites you can still see Mayan ceremonies with people paying homage to their ancestors or other types of celebrations to offer blessings and even weddings. It's living culture," Rodriguez adds.

This "megadiversity" extends beyond the cultural sphere; Guatemala's biodiversity is spectacular, with 360 microclimates allowing for a profusion of flora and fauna that even much larger countries struggle to match. Just a few hours from Pacific beaches where temperatures reach 40 degrees Celsius, visitors can scale the cool heights of the Cuchumatanes mountain range reaching up to 3,800 meters in altitude. Of Guatemala's 37 volcanoes, four remain active.

Such a range of human and natural expression is reflected by Guatemala's gastronomy, in which local chefs increasingly seek to fuse the country's many cultural influences — including ingredients and techniques from Mayan heritage — with in-



INGUAT General Director **Anayansy Rodriguez**

ternational flavors. In 2022, two Guatemala City restaurants — Sublime, which takes inspiration from pre-Columbian cuisine, and the more contemporary-focused Diaca — entered Latin America's "50 Best" list in a first for the country.

As well as its indigenous heritage, Guatemala also boasts a burgeoning cultural scene with a more international outlook. Since 1978, Guatemala has organized the prestigious Arte Paiz art biennale, which showcases national and international artists in a context of global dialogue.

The big draw for many, however, will always be Guatemala's incredible wealth of historical and archaeological treasures. Antigua Guatemala, the remains of the old Spanish capital, Tikal National Park with its Mayan temples and palaces dating back to the sixth century B.C., and the Archaeological Park and Ruins of Quirigua are all UNESCO World Heritage Sites.

Beyond these much-celebrated destinations, however, there is so much more history to explore. A recent study concluded that there are more than 6,000 archaeological sites in the region of Peten alone. The visitor who spends more time in Guatemala will be richly rewarded, notes Rodriguez, especially as many of the Mayan trea-

asures are so closely entwined with the landscape and the jungle canopy.

As an example, she mentions El Mirador, an archaeological site located in the far north of the country, almost on the border with Mexico. "There you will find La Danta, the largest pyramid in the world by volume. You are walking up and you think you are climbing a mountain, but in fact you are going up the pyramid."

Guatemala brings together in one country dazzling archeological heritage, natural splendor and great beaches — Pacific and Caribbean — effectively covering the three main bases in terms of what tourists look for in the Caribbean and Mesoamerican regions. INGUAT's mission is to make this unique package more accessible.

INGUAT understands that raising Guatemala's competitiveness in the regional tourism market will require a step forward in terms of infrastructure capacity. The plan is to attract more foreign investment to boost connectivity, both in terms of enabling the arrival of greater numbers of visitors by air and facilitating mobility within the country to bring more destinations within reach of commercial tourism. TAG Airlines, Guatemala's flag carrier, recently signed an agreement with Spain's Iberia to improve international connectivity.

INGUAT highlights cooperation between the authorities and the private sector in popular venues such as Tikal and Lake Atitlan, a spectacular location around 87 kilometers from Antigua Guatemala, to improve connectivity and boost tourism capacity.

The tourism institute is working with the Adventure Tourism Association, Guatemala's Chamber of Tourism and the association that brings together the concessionaires in charge of the protected areas in the north of the country to explore new and sustainable paths to develop the sector.

Coffee tourism is one area being explored. INGUAT works closely with the ANACAFE association of coffee exporters, and together they have launched an organic coffee route in the Atitlan region, where growers raise their crop on the volcanic hills overlooking the lake.

The Guatemalan government last year unveiled the Guatemala Country Brand strategy, which defines its own identity in international markets based on three dimensions: tourism, exports and foreign direct investment. The objective is to unleash the tourism sector's natural potential, especially with more international visitors — currently, 74% of the industry's business comes from domestic tourists. The sector has responded quickly to



The Pacaya volcano in Escuintla

'Guatemala's riches are known worldwide. However, we do need to tell the world we are here and we are ready to receive visitors and investors, to be able to work together to diversify offers, to have different products. It is about getting the eyes of the world to look at Guatemala.'

ANAYANSY RODRIGUEZ

the hiatus caused by the COVID-19 pandemic and expects 2.3 million international visitors in 2023, equivalent to 90% of pre-pandemic levels.

"We want Guatemala to be recognized as the main cultural and megadiverse destination in the region, for visitors to be surprised by the beauty and magic of our cultural and natural heritage, improving the position in the tourism competitiveness index," says Rodriguez.

But all growth must be sustainable, paramount in a country where 30% of the land is protected, and out of respect for the indigenous communities that represent Guatemala's intrinsic soul. INGUAT has developed a system of quality certification together with the private sector, encouraging companies to implement sustainability measures to increase competitiveness at the national level. Archaeological sites, ecological reserves and all tourism services





such as hotels and restaurants can gain the Q certification. Inclusivity is one of the requirements to be certified, and catering to visitors with disabilities is a key focus of the program.

Measuring the impact of tourism is essential to ensure that the approach in a given area is sustainable. The Antigua Guatemala Sustainable Tourism Observatory provides a model for the rest of the country, and is registered with the World Tourism Organization's International Network of Sustainable Tourism Observatories.

"Obviously, we have many challenges to face. But we also have a lot of values deeply set in our roots that are worth making known to the world, not only Guatemalan kindness and hospitality, but also all of this cultural and natural wealth," concludes Rodriguez. Her sentiment honors the current tagline for the country's tourism sector: Guatemala, amazing and unstoppable. || ||||



GUATEMALA
Amazing and unstoppable

@visitguatemala    



 Tikal National Park