



Regional Newsflash

December 2008

Central-America: Costa Rica, Guatemala, Nicaragua, El Salvador, Honduras, and Dominican Republic



The regional newsflash is a publication composed by the Embassies of the Kingdom of the Netherlands in Costa Rica, Guatemala, Nicaragua and Dominican Republic. The newsflash provides an update in terms of imperative economical developments, the most important tenders and a selection of other relevant business news to do with the region. This newsflash is shared with a distinctive group of Dutch businesses with special interests in the region or a specific country within. It is put together on basis of publicly available information from various sources such as news articles, press releases, and third party information. The Embassies of the Kingdom of the Netherlands in San José, Guatemala, Nicaragua and Dominican Republic are not responsible for the accuracy of the published information. If you do not want to receive the regional newsflash, or wish to add a person to the distribution list or desire to send a observation, please feel free to forward a message to nltrade@racsa.co.cr A separate newsletter is published for Panama.

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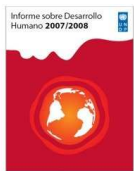
Central-America region

Growth demands Central American port expansions (Source: Break Bulk) Work to expand and upgrade ports in Central America is coming in fits and starts as port authorities and national governments grapple with governance and social issues. “All of the Central American ports have some expansion in mind, some more than others,” said Mike Hopkins, vice president of operations in the U.S. for Crowley Maritime Corp., a shipping line active in the U.S. trades with Central America and the Caribbean. No longer are Central America’s ports merely “dry canal connection points for big ships coming from Asia and Europe,” Hopkins said. “The growth rate of all of the Central America countries is sufficient in itself to warrant port and infrastructure expansions.” He pointed to the expansion of Puerto Cortes, Honduras, as “the largest development in motion.” Five companies are vying to run the Port of La Union, El Salvador, but political consensus over the ratio of public to private shares in the management concession is reportedly lacking. President Antonio Saca said in late October that he had developed a proposal but he was withholding details. A decision from the government is expected in February. Some examples:

- The Taiwanese Container Terminal in Colon, Panama, asked the national government in late October for permission to convert 12 acres for container yard use, which would boost annual throughput capacity to 1.5 million containers from the current 700,000. The company would pay the government \$11.3 million for the additional land.
- Export and tourism interests want the Costa Rican government to make up its mind on how to increase capacities at the country's Caribbean ports. Ship-loading delays have been costly to fruit growers. The government plans next month to begin the process of awarding a management concession to a private operator, and officials, opposition politicians and unions are locking horns over underlying social and political as well as technical issues.

The World Bank in January agreed to lend Costa Rica \$72.5 million for port modernization at Limon and Moin and for urban revitalization in Limon. "Limon is one of the country's most decayed cities and suffers from high unemployment and crime rates," the World Bank said in announcing the loan. "The Port of Limon, the busiest port in Central America after Panama, is critical to the competitiveness of Costa Rica's trade, but has become a major bottleneck to the country's growth due to lack of reform and inefficiency. The congestion in the port affects the city as heavy freight traffic has to pass through the city center to get to the Limon terminal."

Hopkins said the Puerto Cortes project is aimed at meeting growing demand in current business, but the national government is also eyeing potential trans-Central America business from the new Port of Cutuco on El Salvador's west coast near the border with Nicaragua. "Cortes is also adding two mobile harbor cranes to increase crane capacity to support more lo-lo (lift-on, lift-off) and gearless lo-lo calls," he said. "On a smaller scale, the government of Guatemala is making investments in the modernization of Santo Tomas and the Pacific Port of Quetzal. While it's not as sweeping as the project planned for Puerto Cortes, there is steady improvement with good levels of productivity and response to cargo needs."



2007/2008 Human Development Ranking (Source: UNDP)

In Central America Costa Rica is at the top (with 48 in overall ranking), followed by Panama (62), El Salvador (103), Nicaragua (110), Honduras (115), and Guatemala (118). The United Nations Program for Development published the 2007/2008 Human Development Report with the current ranking of countries under the banner of the general perspective of the fight against climate change: Solidarity in a divided world.

Latin America more globalized (Source: latinbusinesschronicle.com)

Latin America -- including Brazil and Mexico -- has become more globalized, according to the fourth annual Latin Globalization Index from Latin Business Chronicle. The index of 18 countries looks at six factors that measure a country's links with the outside world:

- Exports of goods and services as a percent of GDP.
- Imports of goods and services as a percent of GDP.
- Foreign direct investment as a percent of GDP.
- Tourism receipts as a percent of GDP.
- Remittances as a percent of GDP.
- Internet penetration.

The Latin Globalization Index - the most extensive of its kind - aims at measuring how the region overall and each country individually fares when it comes to globalization. By measuring as a percent of GDP rather than by real numbers, the index reveals the impact of key globalization benchmarks on a nation's economy. Panama once again stands out as the most globalized country in Latin America, followed by Costa Rica. However, Nicaragua has now replaced Honduras as the third-most globalized country in Latin America. In fact,

Nicaragua posted the strongest improvement (2.73 points) of all the countries, while Honduras saw the worst decline (2.50 points).

Nicaragua to host Central America Tourism & Hotel Investment Exchange Conference

ProNicaragua, the official investment promotion agency of Nicaragua, recently received confirmation from Burba Hotel Network (BHN) that Nicaragua has been selected to host the upcoming Central America Tourism & Hotel Investment Exchange (CATHIE), which will be held March 24 – 26 of 2009. The conference aims to gather international investors and tourism developers to showcase investment opportunities offered by this sector in Central America. CATHIE will focus on the hotel and tourism investment opportunities in the rapidly growing Central America region. The Foreign Investment Advisory Service (FIAS) of The World Bank Group as well as each of the Central American countries are supporting this event. CATHIE's inaugural conference was held this year in Guatemala City, Guatemala, and welcomed nearly 250 hotel and tourism industry leaders eager to network and learn about hotel investment opportunities in Central America. Regarding CATHIE, Javier Chamorro, Executive Director of ProNicaragua, added that "We are extremely excited to host such a prestigious event, we truly believe that this new edition will be a success, demonstrating that Central America as a whole has truly arrived as the next great destination for investment. For us specifically it will be a great opportunity to demonstrate our country's enthusiasm towards attracting foreign investment and for participants and opportunity to confirm why many publications have called Nicaragua the next tourism hot spot."

Crisis affects textile industry in Central America (Source: elheraldo.hn)

The financial crisis in the US, a vital market for Central American exports, has reduced the demand for textiles, causing a lot of companies to close. In CA the industry is also facing strong competition from China since 2005 when the textiles quotas in accordance with the World Trade Organization came into effect. The country that has been most affected is Nicaragua, where this year alone some 19000 jobs have been lost due to the close of at least 9 textile companies in the industrial parks belonging to the Free Zone Corporation.

Employment at call centers will multiply by 4.6 in four years (Source: pa-digital.com.pa)

By 2012 it is expected that 12 thousand Central Americans will work in the call center industry, representing a significant increase of 4.6 times the current number. According to pa-digital.com.pa, "statistics from Frost & Sullivan global consulting firm show that the number of agents at the call centers or contact centers in Central America will increase from 2,703 in 2008 to 12,321 in 2012."

Peru plans FTA with Central America (Source:elsalvador.com)

Negotiations are scheduled to start in the second half of 2009. The minister of Foreign Trade and Tourism in Peru, Mercedes Araoz, said the foregoing while attending the Euro-Latina summit held in Lima in May, Dialogue for an eventual FTA will include Costa Rica, El Salvador, Honduras, Panama and the Dominican Republic.

The FAO supports small farmers in Central America (Source: Estrategia & Negocios)

This initiative will provide aid to small farmers in Panama, Belize, Costa Rica, El Salvador, Honduras and Guatemala. The investment of \$12 million will be used to produce 32,000 metric tons of seed valued at \$52.7 million, according to the Panama America daily. The UN Food and Agriculture Organization reported that it will support the increase in agricultural production by poor families in more than 20 countries in Latin America and the Caribbean by providing better access to basic goods.

Taiwanese companies looking to move to Central America and the Dominican Republic
(Source: DiarioLibre.com)

Taiwanese investors with companies already established on mainland China, in Vietnam and southern North America are now looking to Central America and the Dominican Republic. They are seeking lower operational costs and are attracted by the business opportunities created by the Free Trade Agreement between the United States, Central America and the Dominican Republic (CAFTA-DR). "We have encouraged the Taiwanese companies that are in southern United States to invest in Central America; we have suggested to them that they establish themselves in Central America and the Dominican Republic so that they can produce there and export their products to the United States," said York Y.C. Liao, the secretary general of the Council for Economic Planning and Development (CEPD).



Costa Rica

Costa Rica to negotiate FTA with Singapore (Source: elfinancierocr.com) Costa Rican President Oscar Arias and his counterpart, President Sello Rama Nathan of Singapore agreed to start the process, during a visit to the Asian country in December. An agreement with Singapore has been rumored for some months now, ever since the Minister of Foreign Trade (Comex), Marco Vinicio Ruiz, spoke of the possibility. However no government official had spoken of this formally. The announcement was made by both leaders on the first day of the Arias' visit to Singapore. In a press release from the Presidential House, it was said that the Prime Minister of Singapore, Lee Hsien Loong, was very pleased with the negotiations. "This will be a way of drawing the economies of Singapore and Costa Rica closer together. Both countries are seeking trade and investment with other countries".

Costa Rican Development Bank will finance up to \$100.000 (Source: Nacion.com)

Based on consultations and technical studies, it was determined that this is the adequate maximum amount for SMEs to loan. Additionally, the system should begin to operate in the first few days of January, even though it just has half of the necessary funds as the transfer and settlement of previous trusts have not been completed. The interest rate that will be charged for these loans have still not yet been determined.

New regulations for off-shore banking in Costa Rica (Source: Nacion.com)

The regulations from the General Superintendence of Financial Entities came into effect last December 18th and will limited off-shore operations. The regulation (Accord Sugef 8-08) establishes that the license granted by the authorities for off-shore entities should be general and not international, as it has been up to now. With the international license, the country where the off-shore bank is registered issues a permit to the entity so that it can set up in its territory, but cannot carry out operations there. Two Costa Rica banks – the local unit of Canada's Scotiabank and BAC San José – announced the closure of offshore accounts.

FTA between Costa Rica and the US comes into effect (Source: elheraldo.hn)



On January 01, 2009 all of 99% of Costa Rican exports will enter the US market tariff-free. According Elheraldo.hn, "the United States is Costa Rica's main trading partner and buys half of its exports at over 9 billion dollars annually; however demand could fall due to the financial crisis that is affecting the US economy. It is expected that

telecommunications and insurance will absorb most of the foreign investment as these are sectors that will soon be open to private competition as a result of the FTA, after decades of State monopoly."

Tariff elimination between Costa Rica and Panama (Source: Nacion.com)

Starting January 1, the tariff benefits agreed to in the FTA that came into effect in November will be applied to products from both countries. A report from nacion.com demonstrates "that, according to the Minister of Foreign Trade in Costa Rica, Marco Vinicio Ruiz, this was agreed in the internal rules of the trade agreement. Cereals, snack, chewing gum, pasta, jellies and jams will go from paying a 15% duty to being tariff free. Other products, such as leather and jewelry will go from a tariff of between 10% and 15% to zero."



20 new companies in Costa Rica free zones in 2009 (Source: sigloxxi.com)

The Foreign Trade Promoter indicated that there are at least 20 companies in process to operate in the country in 2009. The entity reported that in 2008 25 new companies were established in the free zones, at a total investment of \$32 million. 17 of these companies were service-oriented, while the rest are dedicated to manufacturing exports products. It is estimated that the country has received over \$2 billion in foreign direct investment in 2008.

Costa Rica to build 631 megawatts hydroelectric plant (Source: Nacion.com)

The Costa Rica Institute of Electricity will start to construct the biggest hydroelectric plant in Central America at the end of next year. The project called El Diquis will be located between Buenos Aires, Osa and Pérez Zeledón. The plant's capacity (631 megawatts) will be equal to one third of the energy park in the country (2,000 megawatts) and will supply electricity to million households. The project is scheduled to come online from 2016.

Costa Rica sets port concessions for January (Source: elfinancierocr.com)

After a meeting with operators interested in participating in the process, the Government will decide whether to offer two or three bids for the port concessions in Limon in January. This was announced by the minister of Institutional Coordination, Marco Vargas, who confirmed that the Government wanted to have the meeting in December but had to cancel the meeting due to the unavailability of seats on flights at that time of the year. So now they are expecting to hold the meeting in January, and they will publish the bids three weeks later.

Costa Rica: Internet competition to start from April 2009 (Source: Nacion.com)

Starting from April 2009, private companies will be able to sell internet access for the first time in the country. Interested companies should get approval from the Superintendence of Telecommunications (Sutel), the new organ of the Aresep charged with regulating the market, provided that they do not need the concession of a new radio frequency to provide the service and that they fulfill the telecommunications development plan that the Government is currently preparing.

Cellular frequencies in Costa Rica to be put to tender in May (Source: Nacion.com)

The bidding for the first frequencies for wireless telephone lines that will be used by private companies should start on May 15 2009 at the latest. This was the commitment of the Costa Rican Government to US authorities. Moreover, this was the final date given due to the delays in applying the FTA. According to Hannia Vega, Vice minister of Telecommunication, "at the moment we cannot determine which frequencies will be put tender". Costa Rica's cell phone market was officially opened to competition, and multinationals are lining up to go into battle

with the Costa Rican Electricity Institute (ICE) which has held a monopoly so far. The multinationals see potential for growth in the high traffic, unsatisfied demand and absence of a pre-paid system. Moreover, Costa Rica is the missing link in Central American cell phone coverage; multinationals are present in every other country. Companies interested in investing in the Costa Rican cell phone market include Mexico's América Móvil, Spain's Telefónica, Ireland-based Digicel, and Luxembourg-based Millicom.

Tourists spend \$2.2 billion in Costa Rica (Source: Nacion.com)

This year tourists visiting the country spent \$2.2 billion, according to estimates from the Costa Rican Institute of Tourism (ICT). The amount surpasses the \$280 million for 2007 (\$1.9 billion), when there were 1.9 million tourists. The ICT expects that there will around 2 million visitors that have vacationed by the end of 2008, said Carlos Benavides, minister of tourism.

Meco wins \$37 million bid for Panama Canal contract (Source: estrelladepanama.com)

Costa Rican consortium, Meco construction company, won the third dry excavation contract for the Panama Canal expansion project. The said consortium made the lowest offer, \$36.6 million, for the public bid held on December 4 and met moreover the requirements indicated by the Panama Canal Authority. The contract counts for 850 days to complete the works, and is expected to be completed 2011, according to a release by the entity that administrates the Canal.

\$6 Million WiMAX contract awarded by Costa Rica's ICE (Source: tradingmarkets.com)



Alvarion, a provider of WiMAX and wireless broadband solutions, announced that it was awarded a \$6 million contract by Instituto Costarricense de Electricidad. Under the terms of the agreement Alvarion will implement a turnkey project to provide advanced broadband services, deploying its 4Motion solution with its WiMAX Forum Certified BreezeMAX 2500 platform, and enabling ICE to enhance its network performance while providing customers with advanced means of communication.

Wal-Mart Central America chooses Costa Rica (Source: elsalvador.com)

Starting from January 2009, the corporate offices of Wal-Mart Central America will be set up in Costa Rica. The Executive Committee of the company will have their headquarters and corporate offices in Costa Rica. Since 2001, when the alliance between La Fragua Guatemala and the United Supermarkets Corporation of Costa Rica was made, the company has kept the corporate offices of both of the original companies while it continue to integrate them into one regional company.



Mexican company, Sigma, exports from Costa Rica (Source: elfinancierocr.com)

The company exports sausages, cheese, and yogurt from its three plants in Costa Rica to the rest of Central America. The investments will be for the factories that produce sausages, located in Alajuela, and a factory that produces cheese in Cartago. The expansion of the production capacity will be in order to strengthen sales to the rest of Central America, which is a priority for the company.



New purchasing rules for the ICE (Source: Nacion.com)

The Costa Rica Institute of Electricity (ICE) published new regulations on how they will decide on purchases and contracts from the entity or its

subsidiaries. So the rules will also apply to the Radiográfica Costarricense (Racsa) company and to the Compañía Nacional de Fuerza y Luz (CNFL) company. According to the document, a Corporate Procurement Board will be created to resolve all procedures and process for any type of purchase.

Huge losses for Costa Rica banana (Source: Nacion.com)

The rains that battered the country's Caribbean coast late November have already caused millions of dollars in losses to banana farms. The waters have still not going down. Farmers from Matina, Siquirres and a section of Sixaola confirmed that during the next 10 months they will not be able to export 3 million boxes of banana. Preliminary losses are around \$21 million and some 10,000 jobs for unskilled laborers are at risk of being lost.



Guatemala

Guatemalan Banks report \$292 million in earnings (Source: elperiodico.com.gt)

Despite the slowdown of the economy, banks reported on October 30 that they had an increase of 23% in comparison to October 2007. The entity with the best results was Banrural, with \$90 million (Q616.2 million) with a substantial increase compared to \$73 million (Q559.3 million) recorded in the first ten months of last year.

\$450 million for Guatemala banks (Source: sigloxxi.com)

Monetary authorities are pushing more actions to provide liquidity to the banking system. A total of \$450 million (Q3,460 million) will flow into the economy during the next few days, as a result of the explication of measures to provide the banking system with liquidity. With this measure, the Monetary Board seeks to reduce the restriction of external financing which banks have been facing this year due to the international financial crisis. The most recent effort has been the relaxation of bank reserves.

Interamerican Development Bank (IDB) grants US\$70 million loan to local bank

Through a press statement, the Interamerican Development Bank announced that they will grant a US\$70 million loan to local bank G&T Continental. This loan will support G&T's strategy to provide funds to Microfinance Institutions in the Central American region.

\$64 million for Small and medium size companies in Guatemala (Source: elperiodico.com.gt)

The Spanish Financing Company for Development (Cofides) will provide \$64.4 million (51 million euros) to finance local companies. Some 15 companies met with representatives of Cofides, hoping to get financial sources for their projects; these include the Digitex call center, Automercantil Vehicle Imports, the Municipality of Guatemala, two companies from free zones, a food packaging company and an assembly company.

Guatemala included in EU trade duty free access with Generalised System of Preferences

The European Commission has decided to give 16 developing countries duty-free access to the EU market for around 6400 tariff lines, under the European Union's special incentive arrangement for sustainable development and good governance. The preferences, called GSP+, are in addition to the standard Generalised System of Preferences (GSP) extended to developing countries. GSP+ is offered to vulnerable developing countries that have ratified

and effectively implemented 27 core UN and ILO conventions on human and labor rights, and other international conventions related to the environment and governance principles. As a result of the Commission's decision today, the GSP+ beneficiaries from 1 January 2009 until the end of 2011 will be: Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Paraguay, Peru, Sri Lanka and Venezuela. The eligibility of two of the countries, El Salvador and Sri Lanka, is currently the subject of an investigation by the European Commission into the implementation of certain UN and ILO conventions. EU Trade Commissioner Catherine Ashton said: "GSP+ is at the heart of our pro-development trade policy. The decision today ensures that sustainable development and good governance will continue to be rewarded." GSP+ provides an important incentive to developing countries to ratify and effectively implement a broadly defined set of international standards in the fields of human rights, core labor standards, sustainable development and good governance. Experience shows that the incentive effect of the GSP+ is strong, as countries have made efforts to fulfill the requirements. GSP+ preferences are of real economic value to the beneficiary countries: in 2007 there was EUR 4.7 billion worth of trade under this scheme, with a nominal duty loss (compared to standard GSP rates) for the EU of over €357 million. The duty-free access means a considerable tariff reduction over the rates applied under the regular GSP scheme. Tariff cuts include tobacco (up to 52%), various fruit juices (up to 30%), fruits (up to 20%), vegetables (up to 14%), fish (up to 20%) and honey (up to 17%).

Guatemala's Commodity Export Revenues have been stable this year

According to the export data of the Guatemalan Central Bank, BANGUAT, the export of two of the main commodities increased, three of the five major export commodities recorded decrease in sales volume between January and September of 2008, The revenues have however not been affected. The coffee exports increased with 1.2% and banana export increased substantially, with 28.2%. Sugar, cardamom and oil export decreased. The foreign exchange earnings by exporting these products from January to September 2008 rose 18.1 percent equivalent to U.S. \$ 243 million, compared to the same period of 2007, with the exception of sugar, which was a decrease of 11.5 percent or U.S. \$ 37.6 million. In the case of cardamom, there was an increase of 62.2 percent equivalent to U.S. \$ 48.9 million; in coffee 15.3 percent or U.S. \$ 79.7 million in the banana 5.4 percent (U.S. \$ 12.3 billion) in oil and 76.1 percent (U.S. \$ 139.5 million).

Remittances and Tourism with less than 5% growth (Sources: The Guatemala Times, Prensa Libre)

According to the Central Bank (Banguat), income from remittances and tourism grew less than 5% during 2008, compared to 14% and 16% respectively last year. This was due mainly to the world economic crisis and massive deportations of Guatemalans from the United States. From January 1st to December 4th 2008 remittances amounted to US\$ 4,025 million, a growth of 4.6% compared to a 14% growth during the same period last year. The International Migrations Organization (OIM) estimates that remittances will amount to US\$ 4,393 million by the end of this December. During the same period in 2008 tourism grew 4.1% (US\$1,148 million) compared to a 16.8% growth during the same period in 2007.

City of Guatemala award \$25 million contract (Source: MarketWatch.com)

Altnet Systems, Inc. announced that Transtech de Guatemala, S.A., a regional subsidiary of the Company's joint venture with Tianjin IC Card Public Network Systems Co. LTD (TCPS), has signed a \$25 million contract with the Municipality of the City of Guatemala for the operation and management of a bus prepaid fare collection system, user information systems,

fleet management systems and security systems for the municipality's transportation company Transmetro, Inc. The population that will be served by these systems is estimated at more than 2.5 million passengers per day and more than 630 million trips per year. The initial duration of the contract is for 10 years and it is renewable for another 10 years, exclusively.

The crisis hits Guatemala (Source: sigloxxi.com)

The international crisis has started to show in the country, according to indicators, consumption has been one of the most affected. A sign of this is the income from remittances recorded by the Bank of Guatemala (Ban-guat), which after an increase of 14.3% as of November 20, 2007, this year for the same period the increase was only 5.0%. The most revealing thing was that, according to the International Organization for Immigration, 50% of what is sent home by Guatemalans in the United States is used from consumption. Up to now there had been now drop, however the slowdown of the growth rate is significant. Another important point is the tax income. The Tax Superintendence (SAT) reported that the domestic Value Added Tax (VAT) up to October of last year showed an increase of 37.3% while for the same period this year it was only 4.5%.

Level of confidence in the economy falls with 68.1% (Source: prensalibre.com)

The Confidence index (from Banguat) which measures the perception of the economy and the business environment fell 68.1% in 12 months. The monthly index, prepared by surveying a panel of private analysts who were hired by Banguat. The index went from 50 in November 2007 to 15.91 last month, which adds up to a 68.1% drop in a year.

Guatemalan coffee exports fall 24% (Source: elsalvador.com)

Coffee exports fell with 24.3% in November to 74,660 60-kilo sacks compared to 98,678 sacks for the same month in the last cycle. Accumulated exports for October-November portion of the season fell with 21.1% to 157,011 sacks, said the group. Coffee farmers said that one of the reasons for the fall could be because farmers are selling less coffee hoping that prices will recover.



Nicaragua

Construction of refinery in Nicaragua fades
(Source: elnuevodiario.com.ni)

After the Venezuelan president placed the cornerstone and there were some movements of dirt, the project seems to have come to a dead end. The \$250 million that Venezuela supposedly approved at the end of last year to start the first phase of the project at Piedras Blancas in the municipality of Nagarote, never reached Nicaragua.



Nicaragua to end 2008 with 18% inflation (Source: elnuevodiario.com.ni)

According to the latest report on inflation published by the BCN, at the end of October the accumulated inflation was at 13.95% compared to 10.71% in 2007. The institution explains that the downward trend in inflation continues, and that for the first time this year there was a slight decrease of 0.02%. The Central Bank acknowledges that the drop in the price of oil has caused the reduction in the rate of inflation in October, while food and beverages and the furnishing and maintenance of homes continued to rise.

United States freezes aid to Nicaragua (Source: elnuevodiario.com.ni)

John J. Danilovich, president of the CRM assistance program, reported that all subsequent payments will be frozen. Warnings were given. The US ambassador, Robert Callahan, had warned that they would review the level of economic cooperation for Nicaragua due to the claims of fraud in the recent municipal elections. The Millennium Challenge Account is a 5 year program based on a 175 million dollar donation from the government and people of the United States. It is divided into three components: the development of rural businesses, road infrastructure and the strengthening of property rights.

Nicaraguan milk exports increase with 30% (Source: elnuevodiario.com.ni)

Nicaragua will export between \$84 and \$100 million in milk in 2008, while in 2007 it exported \$65 million. Oscar Aleman, vice president of the Milk Producers' Association, Aproleche, said that the main buyer of milk products, especially cheese, is El Salvador, and hence they need to diversify the market in order to avoid concentration, which sometimes has difficulties not related to tariffs. He believes that markets in Venezuela, Mexico and the US are important and that they are not being exploited enough and that they are a good opportunity for the milk exporting market. He pointed out that the Central American market for milk products is important since it has served as the platform to enter markets in other countries.

Spain offers financing

The Official Spanish Chamber of Commerce of Nicaragua organized an event where the Spanish Financing Company (COFIDES) presented its financing programs for mixed Nicaraguan-Spanish investments projects. The activity was held on 13th of December at the Intercontinental Metrocentro Hotel and was attended by important national businessmen and financial institutions. Remedios Romeo García, president of COFIDES, explained that the institution will finance projects from € 250,000 to € 25 million and that their mission is to promote economic development and job creation in Nicaragua, especially in sectors in which the country has great potential, such as fishery and tourism.



El Salvador

El Salvador signs debt swap with Germany for \$13 million (Source: elsalvador.com)

This is the first time that both countries are using the mechanism. The Government of El Salvador signed an agreement with Germany to swap 13 million dollars (10 million Euros) that were loaned by Germany to be used for education. The resources will be used to finance social programs such as the Solidarity Network.

Kimberly Clark to invest \$31 million in El Salvador (Source: laprensagrafica.com)

This figure will be used to expand the plant located at Sitio del Niño, La Libertad. The amount of the investment is \$31 million and will be used to install a new machine to manufacture toilet paper and a factory that will prepare recycled paper paste. The equipment will be installed and will be ready to function next August. Furthermore, this project will help to add 100 more employees to the payroll. The company currently employs more than 1,200 workers.



Honduras

Palmerola Airport in Honduras will cost \$50 million (Source: elheraldo.hn)

The commercial airport concessionaire in the country, InterAirports, confirmed its interest in converting Palmerola into an international air terminal. This company is awaiting an answer from the government for the third proposal presented on Thursday night. The investment will range between \$35 to \$50 million depending on State requirements. "They asked whether we are qualified to build an airport at Palmerola and we have told them yes. We have presented them complete plans and documents," highlighted Carlos Ramos, manager of InterAirports.

Honduras will lose 50,000 jobs due to crisis (Source: laprensagrafica.com)

The economic crisis will cause the loss of 50,000 jobs in 2008 and the situation could be worse next year. "Exports have been decreasing for textiles as well as for shrimps, tilapia and the construction industry is starting to contract," added Evelyn Bautista, an economist for the Honduran Council of Private Enterprises (COHEP). In addition, the United States is the source of family remittances which in 2007 totaled \$2.5 billion; that is the equivalent of 24% of the country's GDP.

Honduras will avoid IMF pressure to devalue the Lempira (Source: radioamerica.hn)



According to the president of the BCH, Edwin Araque, the economic sector of the country will not negotiate any stand by agreement with the IMF since the entity is pressuring them to devalue the local currency. Araque said that there are no conditions in

Honduras to devalue the lempira, since, from a financial point of view, the economic has remained stable and so the measure proposed by the IMF will not be executed.

Honduras signs agreement for oil exploration (Source: latribuna.hn)

Petroleum Geo Services will carry out studies within 10 kilometers with the territorial waters of Honduras, and will have licenses to explore for crude. PGS will invest in the study which will cost \$23 million, and this would be recovered later by selling the studies to any of the firms that have shown interest in carrying out explorations. Development Manager at PGS, George Buzan, explained that the analysis will start somewhere between February and March and will last ten years.

\$370 million to the Honduran banking system (Source: latribuna.hn)

The president Manuel Zelaya passed two decrees that were approved in an extraordinary session by Congress. The executive decree 174 - 2008 authorizes the Central Bank of Honduras to inject in the domestic financial system \$ 265 million to continue the monetary policy to boost the production and development, and the other one is the executive decree 175-2008, to strengthen the entire national financial system, which consists of \$ 105 million to provide credit for the Honduran financial system.

Restrictions on Honduran melons lifted (Source: elheraldo.hn)

The Government confirmed that the US and Europe have suspended the ban that was in place due to suspected salmonella contamination. The minister of the Secretariat of Agriculture and Livestock, Hector Hernandez, explained that they have already exported five containers of melon to the US.

To refinance debt for 30,000 Honduran producers (Source: elheraldo.hn)

The National Agriculture Development Bank will readjust the debt for at least 30 thousand farmers that were affected by the strong rains last October. Cornelio Chirinos, secretary of the Honduras Coordinating Council for Farming Organizations (COCOH), encouraged farmers to speed up the process to get the refinancing in order to guarantee next year's harvest.



Dominican Republic

No news submitted due to vacation period.



EVD country webpage

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For more information on Guatemala you can contact the commercial department of the Dutch Embassy in Guatemala City by email; nlezgov@intelnet.net.gt or by telephone (00502) 2381 4300 (Harman Idema, Susana Azurdia). More information on website: www.embajadaholanda-gua.org .

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