



## Regional Newsflash October 2010 Edition 33

Embassies of the Kingdom of the Netherlands

*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 that have to do with the region. This newsflash is shared with a distinctive group of Dutch businesses with special interests in the region or in a specific country. It consists 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 would like to send a response, please feel free to send an email to [sanjose@trade-minbuza.nl](mailto:sanjose@trade-minbuza.nl). For Panama a separate newsletter is published.*

### Central American region



**A Successful Dutch Clean Energy Trade Mission to Central America and Colombia** A group of 12 Dutch clean energy companies, from 2 to 10 September attended a trade mission to Panama, Costa Rica and Colombia. In all three countries, they were greeted with enthusiasm about opportunities for biomass, biofuels, solar and wind energy and energy efficiency.. Among

the participating renewable energy companies were ECN (use biomass residues), Eneco Energy Trade (CDM projects), Gal Martina Sustainable Partners and Ra Solar, KEMA (consultancy, testing and certification) and UT Innovation (smart grids). Representatives of the energy efficiency sector were Biddle (climate separation, air curtains), Priva (building intelligence) and Thermaflex (pre-insulated pipes). There were also companies supporting products and services: Eltomation (plants for cement building boards), Fugro (geotechnical support projects) and KOZ products (cable clamps for power transmission). NL Agency promoted in Colombia supporting programs around biomass. The Dutch market for renewable energy companies is limited, and the BRIC countries (Brazil, Russia, India, China) provide opportunities but also obstacles and competition. Many economies in Central and South America have grown steadily in recent years, the Dutch companies found that the business and cultural climate surprisingly similar to our own. For some, it was the first introduction to Latin America, others, such as UT Inovation and Thermaflex have already regional offices. In each of the three countries a local partner organization made the introduction to the country and the energy sector, which was followed with an intensive program of matchmaking. A networking event hosted by the embassy or consulate finalized the visit to each country. In Colombia, the group participated in the biennial environmental conference of the Association of Industrialists, which yielded additional contacts. In local newspapers and TV covered the mission. All in all a flying start in developing concrete business contacts on clean energy in Central America and Colombia. The mission was organized by the Dutch company MetaSus, along with the ocal partner organizations. EVD



International supported the mission thru the CPA program. The Dutch Embassies in San Jose, Costa Rica and Bogota, Colombia supported the mission to make it a success.

**FMI: Central America Outlook** (Source: International Monetary Fund) Slow recovery tied to a lagging U.S. economy, 3% growth in 2010 due to increased domestic consumption and rising remittances and international trade. The countries in Central America are recovering gradually, led by a rebound in domestic demand (following its sharp contraction in 2009), which has partly spilled over into imports. Pickups in exports and more recently remittances have been further positive developments. Foreign direct investment (FDI) has been fairly resilient throughout the downturn and continues to finance the bulk of the region's current account deficit. The recovery has been faster in Panama and Costa Rica, where stronger policy frameworks were able to accommodate a larger policy stimulus. The recent slowdown in activity in the United States has thus far not affected the region's recovery, although this may reflect transmission lags. For 2010, output in the Central American region as a whole is projected to expand by about 3 percent, somewhat below potential. Output gaps are relatively small (the downturn in 2009 was not too severe, and potential output growth slowed), so room and desirability for active demand policies is very limited. Growth will remain dependent on the path of U.S. imports, which given the permanent output loss in the United States, would imply lower income levels for the region than those projected prior to the crisis. The fiscal stimulus is being gradually withdrawn in most countries, though growth in real primary spending in 2010 in some countries remains well above trend growth. Monetary policy remains constrained in many cases by fixed exchange rate regimes and high levels of dollarization, as well as a low degree of financial intermediation.

Looking forward, Central American countries should focus on restoring the fiscal policy space used during the crisis to give them more scope to conduct countercyclical policies in the future. Public debt in the Central American region is projected to average slightly more than 40 percent of GDP by end-2010 (4½ percentage points higher than in 2008), and debt ratios continue to be highly sensitive to growth and interest rate shocks. Over the near term, fiscal consolidation should focus on slowing the growth in current spending, particularly on wages (Honduras, Nicaragua), and generalized energy subsidies (El Salvador). Efforts should also be made over the medium term in mobilizing revenues (Guatemala) and making public pension systems more viable (Honduras and Nicaragua), including to make space for much needed social and infrastructure spending. If downside risks to growth were to materialize, those countries with low public debt levels could make the pace of consolidation more gradual. Countries with scope to conduct monetary policy (Costa Rica and Guatemala) should continue strengthening their monetary frameworks, including by allowing greater exchange rate flexibility. In dollarized economies (Panama and El Salvador) or those with pegs (Honduras and Nicaragua), priority needs to be placed on keeping central bank credit in check and continuing to develop interbank markets, while embarking on reforms that reduce nominal price and wage rigidities. Emphasis will also need to be placed in improving the business climate in Central America (which ranks low by international standards) and increasing the diversification of exports.

**No Development Without Productivity** (Source: Tpagro.com) The economic and social development of Central America depends on efficient, profitable and competitive agriculture. The article by Ferley Henao "Without Productivity There is no Paradise", highlights the need to accelerate the pace in search of agricultural productivity in Central America, showing how slow countries of the region are progressing, not only against first world nations but also in relation to other Latin American countries. In terms of knowledge and therefore of productivity, technology, competitiveness and profitability, the rural sector in most countries of the region is closer to the nineteenth century (XIX) than to the twenty-first century (XXI). The impact of current situation is very serious and it shows on indicators such as unemployment, immigration, trade deficit, low standard of living, food supply, poor credit, investment, inflation and environmental degradation. Globalization and technological advancements in the second half of the twentieth century, including all the sciences related to the rural world make it imperative to put agriculture in line with global reality in terms of competitiveness. Based on the foregoing considerations, it is essential to encourage agricultural productivity through knowledge transfer programs in order to achieve effective and sustainable development because, in addition to the increase in direct jobs, it has indirect positive effects such as dynamism of the economy and effective contribution to food supply.



**Best-Selling Companies in Central America** (Source: americaeconomia.com) Six Central American companies are included on the America Economia's Ranking of the 500 largest companies in Latin America. Listed in 178th place RECOPE, Costa Rica's Oil Refinery, is the Central American company with the highest sales, totaling \$2,701 million. Followed by Intel in Costa Rica with \$ 2,101 Million, Panama Canal Authority (ACP), with \$ 2,000 million, Instituto Costarricense de Electricidad (Costa Rica Power Company) with \$ 1,822 million and completing the list, the two main regional airlines Copa Airlines with sales of \$ 1,253 million and Grupo Taca with \$ 940 million. In the ranking, organized by sales volume, financial companies were not included because their value are not measured by sales but by assets.

**Tourism to CA Up 8%** (Source: Yahoo! Noticias) Between January and August, tourism in the region increased 8.1% over the same period of 2009. Carlos Voleger, regional director of the World Tourism Organization (UNWTO), stated tourism in the region is growing above the world average. In the region, Costa Rica is attracting the most foreigners (over 2 million in 2009) and along with Honduras, is where tourists stay longer with an average of 11 to 12 days.



**Successful Closing of Central America Travel Market 2010** (Source: laprensagrafica.com) 3.762 business meetings between wholesalers and businessmen in the region took place. The event featured participation of 158 wholesalers and tour operators from 41 countries, 155 exhibitors from the region and 91 international media. This year, seven out of 10 participants attended the fair for the first time, this will open the doors to new business contacts, said Roberto Robles, director of the Guatemalan Tourism Institute (INGUAT). Next year's fair will take place in Panama.



**Costa Rica – China CAFTA** (Source: Nacion.com) The International Affairs Committee has approved the FTA with China, it is now being sent to the legislative branch. If approved in Congress it would be the ninth Free Trade Agreement the country has signed. Current treaties are with the United States, Canada, CARICOM, Chile, Mexico, Dominican Republic and Panama. Under negotiations are AACUE, China, Singapore and Peru. (According to the Ministry of Foreign Trade). The plan is supported by all business chambers in the country, with the exception of the Chamber of Industries, which is concerned by the size of the Chinese market.

**FDI Increases 23% in Costa Rica** (Source: Nacion.com) Between April and June Foreign Direct Investment (FDI) in the country increased by 23% compared to the same period of 2009. According to Central Bank data from April to June 2009, FDI was \$272 million, while in the same period of 2010 it reached \$335 million. "This is the second consecutive quarter in which these investments suffer and increase over the same period last year, after the declines suffered during the crisis" reports Patricia Leiton of Nacion.com; she adds "The investment was sufficient to cover current account deficits of the second quarter, which stood at nearly \$ 312 million."

**Costa Rica Declares Sierpe Airport of Public Interest** (Source: elpais.cr) President Laura Chinchilla declared of public interest the construction of the international airport in the South. Declaring the airport a "national interest" can facilitate the project's progress. Elpais.cr. reports, "The executive order is for the first phase of the project, which includes studies and processes leading to construction, be completed in 2012, so the second stage is in advanced construction phase within two years."



**Convergys Opens Operations in Costa Rica** (Source: CINDE) Convergys, an American company specializing in the service area, opened its third center in the country. With over 35 thousand square feet, modern facilities at Park Ultra II, will allow the company to add 500 people to its payroll, amounting to 1600 employees in the country and thereby becoming one of the top ten employers in the services area, according to data from CINDE. The Costa Rica center will provide consulting services, billing and customer service in English to three U.S. media companies and is part of the global network of operations for Convergys, which includes operations in Asia, Europe and America. Specifically in Latin America, the company already has offices in Brazil, Colombia and Mexico. Vice President of Operations for Latin America Covergys, Jorge Robledo, said, "Convergys has expanded its international presence by opening three centers in the country, providing new jobs and expect further growth in Latin America for 2011.

**Opening of Cell Market Delayed** (Source: Nacion.com) By not presenting the changes to the terms and conditions, Sutel has further delayed the process. October 21st was the deadline for publication in the official journal for the corrections ordered by the Comptroller General of the Republic. Regulations require that changes be reported at least 15 days before receipt of offers, originally set for November 5th, but now the dates for receiving, opening and possibly awarding the bids are postponed indefinitely.

## Guatemala



**Guatemala Ratifies Customs Union** (Source: prensalibre.com) With the publication in the official newspaper, Guatemala complies with the legal framework to implement the customs union. Raul Trejo Esquivel, Deputy Minister of Economy, referring to such ratification, stated "is the legal basis to remove all restrictions on regional trade and strengthens the union process." This ratification means that if a third country cargo enters one of the ports in Guatemala and is destined for another Central American country, the fees will be paid in the country and the cargo will be free to transit across Central America."

**EPM Buys \$ 635 million Power Plant** (Source: sigloxxi.com) Colombian Group EPM acquired 80% stake in Empresa Electrica de Guatemala (EEGSA). Empresas Publicas de Medellin (EPM), leading provider of public services in Colombia, will expand its presence in Central America. The sale, according to EEGSA's manager, Jorge Alonso, was decided by company shareholders, consisting of firms Iberdrola of Spain, Teco Energy and Electricity of Portugal, although the distributor was unaware of negotiation details..

## Nicaragua



**Nicaragua Increases Participation in Trade Fairs** The country plans to increase by 42% its participation in foreign trade fairs for 2011. Roberto Brenes, general manager of the Center for Exports and Investment in Nicaragua, said they will have cooperation from the Enterprise and Employment Program of USAID. The manager stated, "This year we went to seven trade fairs, but next year we will add three more, which will make 10 fairs or more for the year, adding new markets (besides Central America, United States Europe) in Venezuela and Ecuador."

**Government Promotes Brito Hydroelectric Project** (Source: elnuevodiario.com.ni) In a period of no more than four years the Government has set to have the hydroelectric dam on Rio San Juan built. With a \$ 600 million investment, the Brito Project will become the largest source of electricity generation in the country by the year 2015, with a capacity of 250 megawatts. The Ministry of



Environment of Nicaragua has renewed the license to a Brazilian business group for feasibility studies. However, the minister, Emilio Rappaccoli, already reported preliminary technical and financial information.”

## El Salvador



**\$ 20 Million for Landfill and Recycling** (Source: Presidencia de la República El Salvador) Germany offered the loan at a favorable interest rate, in order to create and build landfills and recycling centers. In his meeting with President Funes, the German officer received reports of plans developed in Central America related to climate change, security, disaster prevention and others. Besides thanking the Germany for financing the projects, the Salvadoran President explained to German officials other points related to modernization of the public sector and the fiscal policies to be carried out in El Salvador. President Funes referred to the need of improving tax collection, issue in which that Germany is advising and in the fight against corruption. It was also reported that Germany will make available a EU 3 million fund to be utilized in new territorial reordering. Germany has offered El Salvador to grant a credit for \$ 15 million, a a very favorable rate, in order to create landfills, improve existing and build facilities for and recycling.

## Honduras



No news

## Dominican Republic



**Dominican to Negotiate with CA** (Source: [prensalibre.com](http://prensalibre.com)) The Dominican government said they are willing to negotiate with Central America the imposition of tariffs on 26 products from the Isthmus. The Dominican Republic's Trade Minister, Ramón Fadul said in a statement that tariffs on Central American goods do not violate free trade agreements, but are part of safeguard mechanisms established in the treaties themselves. Central American vice-ministers announced during a meeting held in Guatemala last week, that they will sue the Dominican Republic before the World Trade Organization (WTO) for violation of the trade agreement signed in 1998.”

From October 18 and for the following 18 months, 38% tariff will be charged on polypropylene products from Guatemala, Costa Rica, Honduras and El Salvador. Polypropylene is added to other products from Central America who are subject of disputes with the Dominican Republic, due to tariffs imposed on products such as wires, juices, paper, plastic and cardboard. Officials from governments of Costa Rica and El Salvador, announced the possibility of taking the case before the World Trade Organization (WTO). In recent years, exports of polypropylene products from Costa Rica to Dominican Republic average more than \$ 2 million. The Unfair Trade Regulatory Commission in the Dominican Republic justified the decision to impose the tariffs on the need to protect local production of polypropylene articles, severely affected by imports from Central America.

## Trade Events



No events

## More information



### **TRADEPLATFORM:**

In 2009 the Departments of Commerce of the Dutch Embassies Guatemala-City, Managua and San José developed a trade platform. This Business to Business (B2B) tool helps Central American and Dutch companies to get in touch with the aim of exchanging information and doing business. The

website [www.doingtradeincentralamerica.com](http://www.doingtradeincentralamerica.com) provides information sources for Dutch companies interested in doing trade with Central American companies, and groups them together on this website. On the 1<sup>st</sup> of November 2009 the Embassy of the Netherlands has launched a trade platform, which can be found at [www.centralamericab2b.com](http://www.centralamericab2b.com). This service is provided free of charge. The services of this trade platform include the possibility to promote your company, to publish your trade leads, to search for potential contacts or partners in the different countries and sectors, and to contact the companies that you are interested in. In addition, notifications of events that could be of interest to Dutch or Central American companies will be published on this platform. To maximize the accessibility for all parties, the website is in English. Furthermore, a short manual is provided to make the usage of the website as easy as possible.

To benefit from all these services, please register your company at [http://www.centralamericab2b.com/index.php?option=com\\_comprofiler&task=registers](http://www.centralamericab2b.com/index.php?option=com_comprofiler&task=registers).



### **EVD country webpage**

The NL EVD Internationaal provides Central American country web pages where you can find up-to-date information, such as: business news, economical developments, tenders, country information (incl. fact sheet and laws), interesting sectors, activities, important documents and the business country guide from the Embassy of the Kingdom of the Netherlands. For more information visit the website: [www.evd.nl/landen](http://www.evd.nl/landen). More information can also be obtained from Judith Brussee, e-mail: [centraal-amerika@info.agentschapnl.nl](mailto:centraal-amerika@info.agentschapnl.nl) telephone: +0031 (088) - 602 80 97.



### **Embassy of the Kingdom of the Netherlands as information source**

On the website of the Embassy of the Kingdom of the Netherlands in San José (for the countries Panama, Costa Rica, Honduras and El Salvador) you can not only find general information about these countries in our resort, but also specific commercial information. Our 'handelswijzers' business trade guides entail broad and up-to-date information on how to do business in each of the four countries, they are meant as a tool/guide for Dutch exporters and investors. For more information visit: [www.holanda.cr](http://www.holanda.cr), [www.handelswijzer.com](http://www.handelswijzer.com), [www.doingtradeincentralamerica.com](http://www.doingtradeincentralamerica.com) or [www.centralamericab2b.com](http://www.centralamericab2b.com).

For more information you can contact our commercial department at the Dutch Embassy in San José thru email [sanjose@trade-minbuza.nl](mailto:sanjose@trade-minbuza.nl) or by phone (00506) 2296 1490 (Carel Richter or Hans Buhrs).



Rijksoverheid

You can also contact our Consulaat-Generaal in Panama (Debby van der Schuit), Phone: (00507) 263 6494 or (00507) 264 7257. Email: [consuladonl@cwpanama.net](mailto:consuladonl@cwpanama.net)

For more information about Guatemala you can contact the commercial department of the Dutch Embassy in Guatemala City by email; [gua-ez@minbuza.nl](mailto:gua-ez@minbuza.nl) or by telephone (00502) 2381 4300 (Susana Azurdia). More information can be found on the website: [www.mfa.nl/gua](http://www.mfa.nl/gua)

For more information about Nicaragua you can contact the commercial department of the Dutch Embassy in Managua by email [mng@minbuza.nl](mailto:mng@minbuza.nl) or by telephone (00505) 2276 8630 (Jan Bauer, Luis Bravo) For more information visit the following website: [www.embajadaholanda-nic.com](http://www.embajadaholanda-nic.com) .

For more information about the Dominican Republic contact the commercial department of the Dutch Embassy in Santo Domingo by email [std-ea@minbuza.nl](mailto:std-ea@minbuza.nl) or by telephone (00 1 809) 262 0320 (Reinier Davina) More information is available on the following website: [www.holanda.org.do](http://www.holanda.org.do)