



Regional Newsflash

May 2009

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

EU relaxes rules in several areas (Source: elfinancierocr.com) In addition to plastics, the European Union made concessions in chocolate, palm oil, fertilizers and chemicals. According to the flexibility incorporated into the Association Agreement between Central America and the European Union, enterprises in the region may include materials from outside into products that are then exported to Europe under the tariff regime established in the Agreement. Another line in which Costa Rica and Nicaragua would like to unlock is beef, and they hoped that Europe would allow an import quota. For their part, European negotiators are pushing to achieve the opening of postal and courier services in Central American countries. European negotiators relaxed their position concerning postal services. The opening of maritime services also posed a difficult topic. The EU wanted to apply the 'door to door' concept in this field. This would involve opening ground transportation, port, multimodal and special auxiliary services.



Eighty-eighth percent has already been negotiated and the remaining 12% contains the most difficult topics. The agreement is expected to be concluded in July. Areas left to be negotiated in the Association Agreement between Central America and Europe are:

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|---------------------------------------|----------------------------------|
| - Sanitary and Phytosanitary Measures | - Market Access |
| - State Purchases | - Intellectual Property |
| - Dispute Settlement | - Rules of origin |
| - Trade Defense | - Customs and Trade Facilitation |
| - Trade and Sustainable Development | - Technical Barriers to Trade |
| - Competition | - Services and establishment |



European Union to lower banana tariff (Source: Nacion.com) The proposal of the European Union is to lower the current tariff from 176 to 114€ per ton between 2009 and 2019. European Trade Commissioner Catherine Ashton acknowledged yesterday that a reduction of banana tariffs is 'inevitable' because that is the way it was established by judgments from the World Trade Organization (WTO). Latin American countries rejected European Union proposals to lower banana tariffs, demanding "respect of a pact made in July 2008, when it was proposed to lower to 114€ between 2009 and 2016." Currently, the European Union charges a tariff of 176€ per ton for fruit coming from Latin America, while APC (Africa, Caribbean and Pacific) countries do not pay any entry tax.



Dutch B2B matchmaking trade mission to Central America
EVD has assigned DLV Plant, with the local support of INCAE business school (Ranked #1 in Latin America), the Ministries of Agriculture of Central America, Dutch Embassies in Central

Amerika and SNV to organize a B2B Tomato & Dairy Trade Mission. The programme is intended to take place in the last quarter of 2009 or early 2010 and will visit two countries in Central America where representatives and branch organisations from whole Central America will be present. For more details mail to Jan Tuinstra at j.tuinstra@dlvplant.nl

President of Taiwan to visit Central America (Source: laprensa.com.ni) A mission of entrepreneurs is accompanying the President of Taiwan, Ma Ying-jeou, on his tour of Central American countries. Entrepreneurs from the Asian nation will make two trips to the region. The first one will be in June during which they will visit El Salvador, Guatemala and Belize. In July, they will travel to Panama, Honduras and Nicaragua. The deputy minister of Foreign Affairs for China-Taiwan, Javier Ching-shan Hou, explained that Ma would be accompanied by a large delegation of Taiwanese representatives from nongovernmental organizations and entrepreneurs on both trips. Panama's President elect Martinelli's position toward establishing relations with mainland China, attributed the possible change to the fact that "as a principal trader at the Colón Free Zone, a future relationship with mainland China would make a lot of sense. Panama's change of heart could become the second country in Central America to drop diplomatic relations with Taiwan after Costa Rica opted to establish relations with China last year.



Lula to visit El Salvador, Guatemala and Costa Rica (Source: laprensagrafica.com) Brazilian President Luis Inacio Lula da Silva will be on tour in the three Central American countries between June 1 and 3. The Brazilian president will be in El Salvador on the first of June for the presidential inauguration of Mauricio Funes. The Brazilian president will participate in all official ceremonies and even share a lunch with the other leaders. On June 2, he will be in Guatemala, and on the third and final day of his tour, he will visit Costa Rica where a meeting is expected with his Costa Rican counterpart, Oscar Arias.

Latin America renews its energy matrix (Source: americaeconomia.com) The crisis is not stopping energy projects. Nicaragua is among the countries that are growing the most in wind energy generation capacity. The region is trying to regain lost ground, and there are dozens of power generation projects, especially using renewable sources. For example, the current 769 MW of wind energy generation, in 2009, there should be more than 1,200 MW being added and 1,000 MW in 2010. Considering that investments in the wind industry are around \$2 million per MW built, the investment totals some \$2.4 billion in this biennium. Along with Uruguay, Nicaragua is the country that is advancing the most in the field of wind energy, going from zero to "several dozen MW" of installed capacity. Along with Costa Rica, Nicaragua is also highlighting the trend of taking advantage of small hydroelectric power plants (SHP).



Costa Rica and Panama join Petrocaribe (Source: Nacion.com) The acceptance of both countries in the energy cooperation agreement would be on the agenda of the upcoming Petrocaribe summit. This was announced by the chairman of Energy and Mines of the National Assembly of Venezuela, Angel Rodríguez. Regarding Costa Rica's membership: there is talk of a minimum of 20 thousand barrels per day, representing an increase of 2 thousand barrels with respect to what the country is currently purchasing. Additionally, they are exploring the use of potential energy sources in this Central American territory. With regard to Panama,

Venezuela already has cooperation mechanisms through four bilateral agreements with the country.



Trade figures within Central America (Source: Central American Executive Secretariat of the Monetary Council) Of the total exports by the region, 29% goes to the countries that comprise it, reaching \$6.403 billion at the end of 2008. This figure is slightly above the average of 27.7% observed over the past five years. The major exporters within the region are Guatemala, which has concentrated at least 33% of the average for the past four years, followed by El Salvador with 24%, Costa Rica with 23% and Honduras and Nicaragua added 20%. This suggests that the trade pattern has remained virtually unchanged in the area and that growth potential for trade and the market remain high, especially for Honduras and Nicaragua, countries that have shown a remarkable exporting dynamism.

Cellular phone revenue sees fast growth in the region (Source: elfinancierocr.com) Cellular phone companies had revenues of \$3.680 billion in Central America during 2008, an increase of 23% over 2007. In the revenue breakdown, the growth of billing for content services is highlighted, and within these services SMS (short text messages) are included. These are the most important segments with \$376 million billed in 2008. The set of content services grew from \$276 million in 2007 to \$480 million in 2008. The countries that will experience the most growth over the next years are Nicaragua, Costa Rica and Honduras.

Central American electrical interconnection to begin in 2010 (Source: Prensa.com) Service problems in Costa Rica and Honduras are holding back implementation of the proposed Central American electrical interconnection. Issac Castillo, manager of Transmisión Eléctrica S.A., announced that: "The electricity interconnection line in Central America will begin operations in sections beginning in 2010. The contractors who are carrying out the interconnection work should deliver the completed project by April 2009, but there is currently a service problem in Costa Rica and Honduras, and that has delayed its implementation."

Honduras and El Salvador agree to unite customs (Source: laprensagrafica.com) The presidents of both countries agreed that when Sovereignty Bridge (on the El Amatillo border) is opened, they will sign the Central American Customs Union. Sovereignty Bridge is being built 150 kilometres southeast of Tegucigalpa with funding from the Japanese government. It is expected that work will be completed in the short term. The Central American Customs Union is a project that was suggested more than 40 years ago, but it was not until 2007 that a document of agreement to get things moving was signed. The countries with the greatest advances are Guatemala and El Salvador.



El Salvador to host Central American Travel Market (Source: elsalvador.com) From October 9 – 11, 2009, the city of San Salvador will host the sixth edition of the Central American Travel Market (CATM). The CATM Fair is the region's most important showcase because it is a platform that promotes business between the tourism sector in Central America and the rest of world. This event's organization is provided by the private tourism sector in the region, through the Federation of Chambers of Tourism of Central America (FEDECATUR), with support from the ministries or institutes of tourism in the region which are represented in the Central American Tourism Council (CCT). Organizers of the event are awaiting some 200 wholesalers from Northern

America, Europe, Asia and Latin America, 180 exhibitors and 50 journalists from various media in the tourism industry to attend the fair.



Promotion of new Central American brand (Source: Central American Integration System) Twenty-seven isthmus personalities are involved in the campaign to promote "Mucho Gusto Centroamérica," the new regional brand. The campaign features 27 prominent figures from the isthmus who demonstrate a picture of a Central America rich in culture, talent and landscapes through their testimony, and they invite you to discover an area of opportunity with successful, optimistic people who provide their talents to the development of the isthmus. "Mucho Gusto Centroamérica" will feature radio, press and television ads in which the figures from Central America share success stories and achievements by the region and affirm their personal commitment to their regional environment in order to bring a message of integration to young people from 16 to 32 years of age. The campaign also has other components such as a New Media Strategy focused on the creation of an Internet blog for young people "Mucho Gusto Centroamérica." They will also use the YouTube channel, in addition to a TV spot campaign, as a preferred means of dissemination among the region's young internet users. A Central American Social website is also being developed, which will consolidate information from more than 900 cultural players from 7 countries, to obtain a unified Central American Cultural Agenda in association with the SG-SICA website. With regard to this tool, a network of cultural actors in each country will be formed and activated and they will comprise a regional network. These online resources will be launched in June.



INCAE is in 46 place in world rankings (Source: INCAE) The International Classification of the Financial Times Executive Education ratifies that INCAE is within the top 50 business schools in executive education. According to the study only 4 Latin American schools were able to get into the ranking. IPADE (Mexico), Fundação Dom Cabral and IBMEC São Paulo (Brazil) are among a total of more than 6 thousand that are currently active throughout the world. "The criteria for the classification of the Financial Times show that INCAE has a solid position as a centre of academic excellence based on the quality of its faculty. The ranking evaluates topics such as preparation, program design, teaching methods and materials, even international clients, participants and professors," said Roy Zuñiga, Dean of INCAE's Walter Kissling Gam campus in Costa Rica. The Financial Times survey of executive education reflected the views of more than 5,600 high level clients and participants in general, responding to the survey.



Costa Rica

Securitization trusts in Costa Rica (Source: elfinancierocr.com) This form of funding appears to be the most feasible for large public infrastructure works. The limitations of the state budget to address infrastructure projects require the assistance of private capital, and the securitization trust model is being adopted by Costa Rican public institutions to finance these works. There are 11 projects in various stages of the formation process of securitization trusts in various sectors such as energy, telecommunications, health, and education. Behind the Costa Rican Electricity Institute (ICE), a pioneer in the use of this mechanism, entities such as the Ministry of Finance, the Costa Rican Social Security Fund and the University of Costa Rica, among others, are lining up. The collection of all the business plans that doing the due diligence required to activate the mechanism, sum over \$2

billion in investments, to be implemented over the next five years. Over the next twelve months \$200 million in emissions are expected. The prices of these instruments have risen in recent weeks, increasing their demand due to the low interest rates for investing in dollars. Moreover, there are several of these instruments planned for this year, among them one for the customs office in Peñas Blancas and others for the University of Costa Rica, the Costa Rican Institute of Pacific Ports and the Garabito Thermal Project.

Fiscal deficit increases in Costa Rica (Source: Nacion.com) The finances of the Central Government of Costa Rica continued to show a marked deterioration. Up to and including April, the financial deficit stood at \$222 million. In the first quarter of this year, the results of the accounts of the Central Government showed a decline of 8.5% in revenue over the same period in 2008. Revenue from income taxes showed an inter-annual decrease of 9.8% and customs showed a contraction of 21.4%. Total expenditures increased by 19.9% in inter-annual terms, mainly due to a 34.2% increase in remuneration as a result of salary adjustments. Moreover, pension payments and resources for the Higher Education Financing Fund (FEES) showed an increase of 19.5% and 42.8% respectively.

8% Tax on dollar securities (Source: Nacion.com) The 8% tax applies to securities issued in US dollars as of April 22. The measure is part of the Article 22 reform of the Law on the Protection of Victims and Witnesses, which came into effect on April 22. This rule applies to securities issued from that date onwards. It does not apply to those already in circulation. In practice, this means that a person who wants to buy a certificate in US dollars or government securities in US dollars will face the tax.



Costa Rica to host Services Summit in June 2009 (Source: Nacion.com) The event will bring together information and communication technology, tourism, health and welfare tourism, engineering, architecture and design and audiovisual production sectors for the first time. During this event, which will take place on June 3 and 4, the well-know Costa Rica Technology Insight, which will celebrate its sixth edition this year will also take place. The business meetings event is organized by the Foreign Trade Corporation of Costa Rica (Procomer) in cooperation with the Chamber of Information and Communication Technologies of Costa Rica (CAMTIC). Costa Rica Technology Insight has managed to position Costa Rica as one of the most competitive destinies in Latin America, as confirmed by the consulting firm AT Kearny in his survey "Destination Latin America: A Near-Shore Alternative 2007".

Future of Limón Port area unclear (Source: elfinancierocr.com) The new Costa Rican government's proposal totaling \$137 million in compensation was rejected by the union, whose consent must be obtained for the concession of services to third parties. The collective agreement that governs the relationship between Limón Port employees and JAPDEVA, the entity manager, has the force of law. Therefore, any project to hire third parties to perform tasks at the port must be formally approved by the union. However, this does not prevent the government from awarding construction and operation of a new port to be located north of the current one in Moín. Attractiveness to potential investors will be greatly enhanced if concession of the administration of the current port facilities is done together with the concession of the new port. Meanwhile, time is passing. The government had fixed the date to try to have concession processes conducted simultaneously, and this becomes more difficult over time. Dutch company APM ports is among the 42 companies that has expressed interest in participating in the bid.

Livestock and tourism attract Chinese investors (Source: Nacion.com) The third round of talks between China and Costa Rica will take place in Liberia, in direct contact with those industries. From June 15 – 19, a third round of negotiations for the FTA will take place in Liberia, Guanacaste. The setting will be used to show "Chinese entrepreneurs the development of tourism infrastructure and farm production of beef there." Foreign Trade Minister, Marco Vinicio Ruiz, told reporters that "that visit by the Chinese is being expected to coincide with the round of talks." Additionally, the Costa Rican negotiators will "take the public and animal health negotiators to the farms to learn about developments in the field and controls in Costa Rican livestock production."

Flexibility in SME loans (Source: Nacion.com) SMEs may defer payment of the principal on loans made by state banks for 2 years, paying only the interest during that period. Some 34,500 lending operations by the National Bank, Bank of Costa Rica and Bancrédito may opt for this measure. Institutions will postpone amortization payments and extend the term of the loan by two years. During this period, borrowers will only pay interest on loans, lowering the amount due and allowing greater cash flow for business operations.

Tourism decreases by 13% in first quarter (Source: InsideCostaRica.com) Costa Rica is going through the consequences of the international crisis in its main industry, tourism, being that it received 83 thousand less visitors than during same period in 2008. By country, the decline in the number of tourist arrivals from the United States is the most important, and this is significant since tourists from the north are usually 54% of the total. Preliminary numbers indicate that in the first four months of 2009, 551 thousand visitors arrived via Juan Santamaría (San José) and Daniel Oduber (Liberia) airports. The Costa Rican Chamber of Hotels informed that at least 23% of its associates reported empty rooms, and that the phenomenon is being felt at hotels in San José, Guanacaste, and La Fortuna in particular. The Minister of Tourism, Carlos Benavides, recently stated that the decrease in the number of visitors that Costa Rica is experiencing is lower than other tourist destinations where the decrease has reached 50%. During the Tourist Fair Expotur Costa Rica 2009, which was held from May 13-15 and in which participated 200 companies from 25 countries, including wholesalers, tour operators, travel departments, it became clear that many hotels bet on new markets such as medical, educational and conferences. Some 300 Costa Rican companies participated through offering their products and services. Many companies were optimistic regarding the event.



IBM to hire 1,200 people in Costa Rica (Source: Nacion.com) Over the next two years, the services multinational, IBM, plans to go from 800 to 2,000 workers in Costa Rica. The company will hire both professionals and students who are close to completing their studies in Administration, Finance, Human Resources, Marketing, Engineering, Economics and Accounting. The firm has been operating in Costa Rica since 2004, providing services to businesses in 13 Latin American countries, the United States and Canada.



Intel is expanding its production in Costa Rica (Source: Nacion.com) The transnational will transfer the manufacture of some of its products to the country beginning in September. Said products were being manufactured at its plants in Asia (Malaysia and Philippines), which were closed at the beginning of the year due to the crisis. The lines of

products that will be transferred are microprocessors for servers, central processing units (CPUs) for desktop computers and chipsets.

Car factory closes in Costa Rica (Source: Nacion.com) Continental AG cancelled the start of operations of the auto parts factory for Chrysler built in 2008 with \$62 million. The United States automotive crisis and the consequent decline in demand for high-tech devices that the plant would have made forced Continental AG to close the factory that had not yet begun operations. "The situation is quite unfortunate. They are talking about suspending operations, not leaving, in the hope that if the economic situation improves in two years, they will evaluate Costa Rica to supply the US market," according to Gabriela Llobet, CINDE director.

Moog Medical invests \$3.5 million (Source: Nacion.com) The multinational medical equipment manufacturer will open its plant in November in Coyol, Alajuela. The site in Coyol, which will employ 200 people, will produce infusion pumps and irrigation pumps for IVs. The site in Coyol is the first one that Moog will open outside the US, following the acquisition of Curlin Medical Company in 2006. The new medical equipment plant is part of Moog Inc. (opened in 1951), which has four business divisions: aerospace, defence and space (satellites and space vehicles), industrial systems and components such as fibre optic products.



INS cannot buy insurance companies abroad (Source: elfinancierocr.com) The Comptroller General ruled that the National Insurance Institute can form a partnership with companies outside Costa Rica but not own them. The subsidiary set up by the INS to operate outside the country, INS International SA, had already allocated funds to implement a plan that involved purchasing at least one company in each of the countries in the region to market insurance. The law regulating the insurance market allows INS to create or acquire stakes in companies, branches or agencies in order to develop different activities, including forming strategic alliances abroad. However, the CGR report indicated that 'building or acquiring companies abroad by the INS is a legal procedure that was not bestowed by the legislature'.



Insurance competition in Costa Rica a reality (Source: Nacion.com) Beginning in June, Seguros del Magisterio SA (Teacher's Insurance) will be the first competitor for the INS, offering eight personal insurance policies. The new insurer, owned by the Teacher's Life Insurance Society reported that transactions will begin no later than the second half of July, thus becoming the first competitor for the National Insurance Institute. The insurance market in Costa Rica was opened to competition with the approval of the Insurance Act, in force since August 7, 2008. **Mundial insurer first international company to operate in Costa Rica (snap de overgang niet heelmaal).** The Panamanian company was the first to submit its application to enter the Costa Rican market, and it hopes to start operations this year.



Costa Rica subsidizes crop insurance (Source: Nacion.com) The government will subsidize between 30% and 60% of the total cost of insurance premiums for crop losses due to bad weather. Rice, beans, corn, potatoes, onions, bananas and tropical roots (cassava, cocoyam, yam and taro) are the crops that will benefit. Agriculture Minister Javier Flores informed that the government is already working with the INS, the Treasury Department and international agencies on a parametric insurance system based on historical rainfall rates and weather conditions. These premiums would be much more accessible for producers.



InterContinental Hotels expands in Costa Rica (Source: Nacion.com)

The multinational company, InterContinental Hotels Group, plans to open two new resort-type hotels in Guanacaste and the Central Pacific. The two new hotels will be the first resort-type that InterContinental Hotels Group (IHG) will open in Costa Rica. The firm already has 5 hotels, all located in San Jose. IHG's president in America, Jim Abrahamson, said: "The economic crisis has impacted Guanacaste, but we believe it is a short term phenomenon. The province is a good place, as is the Pacific coast, especially now with the opening of the highway (to Caldera)."

Holiday Inn Escazú to begin construction in October (Source: laprensagrafica.com) This is the first of seven hotels that Agrisal Group, in partnership with InterContinental Hotels Group, expects to build in Central America. The 10,000 square meter hotel will have 163 rooms, and it is expected to start operations in 2010. Eduardo Quiñónez, director of AGRISAL Group's hotel division reported: "It's the starting flag in our race for regional hotel leadership. We are already among the 10 largest and most important hotel groups in Central America, and the goal is to become the second largest group and to regionalize successfully."



Rainforest Alliance awards Costa Rican hotels (Source:

elfinancierocr.com) The Green Hotels Group in Costa Rica received the "Corporate Sustainable Trend Setters Award" award handed out by the Rainforest Alliance. Green Hotels of Costa Rica is a group that is comprised of: "Si Como No Resort - Spa & Wildlife Refuge," "Villa Blanca Cloud Forest Hotel & Nature Reserve" and "Aguila de Osa Inn," which received the "Corporate Sustainable Trend Setters Award," handed out annually by the Rainforest Alliance. The award was presented to the president of Green Hotels of Costa Rica, Jim Damal, as recognition to the group of hotels 'for their continued dedication, innovation and leadership in environmental conservation.'

US bans Costa Rican shrimp imports (Source: Nacion.com) Beginning on May 1, the US closed the market to marine shrimp because Costa Rica does not apply the turtle protection law. The measure, which was endorsed by the United States Embassy in Costa Rica, was taken based on the fact that shrimp fishermen do not use "the Turtle Excluder Device" (TED) in trawl nets. Costa Rican authorities have not yet received an official communiqué from the United States government. Costa Rica exports both marine and farmed shrimp to the United States. The latter will not be affected by the measure.

Very little bank use by Nicaraguans in Costa Rica (Source: elfinancierocr.com) The Academy of Central America heads a group of companies and institutions seeking to promote the use of banking services in this sector. With funding from the Inter-American Development Bank (IDB) and the Office of Technical Cooperation of Spain, the project seeks to combat poverty in this immigrant sector, for which it is implementing different methods, including lower remittance costs, by intensifying the use of banking services such as savings accounts. It is estimated that only 15% of the remittances that Nicaraguans send to their country are handled through banks. Economist Ricardo Monge, director of the project, told that "they will develop a pilot project with 35 enterprises in the northern zone of the country, where a good portion of Nicaraguans live. So far, 80 business ideas have been identified in the area (specifically in Upala, Los Chiles and Guatuso). Among these, a select group will be chosen and training will be provided for a period of six months to discuss and try to convert ideas into more solid projects."



Guatemala

Guatemala studies flexibility of labour policy (Source: elperiodico.com.gt) In the face of the crisis, the government hired a consultancy by the UNPD to develop a new labour policy. The consultancy will take place over a period of three months and it will look for ways to continue to implement part-time work without ratifying Agreement 175 of the International Labour Organization (ILO). The proposal will have to be reviewed and approved by the Ministry of Labour and Social Welfare, as well as the Tripartite Commission for Labour Affairs.



Guatemala signs Stand-By Agreement with IMF (Source: IMF) The letter of intent spells out the Guatemalan Government's fiscal and monetary policy for the 2009-2010 period. In the letter of intent, Guatemalan authorities have requested a Stand-By Agreement (SBA) for a period of 18 months, with full access to \$951 million. The Guatemalan authorities intend to treat the arrangement as precautionary, and is part of a comprehensive preventive strategy to strengthen the country's liquidity cushion in the face of an uncertain global environment, thereby enhancing the confidence of investors and market participants.

Panama Free Trade Agreement goes into effect (Source: MICI) As of June 22, 2009, 93% of bilateral trade will be tariff-free. The governments of Panama and Guatemala will put into effect the bilateral protocol between the two countries, the Panama - Central America Free Trade Agreement (FTA), which was signed on February 26, 2008. Guatemala, as a trading partner for Panama, represents an important market for exports of products such as cattle, live oysters, unprinted paper for newspapers, fillets and other fish meat, tuna, fertilized eggs, evaporated milk and hermetically sealed or vacuum packed salmon, among others. In fact, 98.1% of Panamanian industrial exports will enter Guatemala tariff-free immediately, whereas 90.7% of our agricultural exports will enter tariff-free in the same manner.

Guatemala reactivates Port Cluster (Source: prensalibre.com) Through the Maritime Port Cluster, reactivated this week, the country is looking to become a logistics hub in Central America. Héctor José Marroquín, executive director of the National Ports Commission (CPN), explained that the Maritime Port Cluster of Guatemala (CPMG) has been set up since June 2008. The cluster will be made up by 17 entities, with the goal of creating an integrated service and value added system which will give the country greater competitiveness.

Puerto Champerico construction to be ready in July (Source: prensalibre.com) Inauguration of the renovated Champerico port on Guatemala's Pacific is scheduled for this coming July 15. The construction of the dock and three piers, with a cost of \$31 million, was designed especially for tourism and small and semi-industrial fishing. Luis Prado, president of Champerico Port said: "This renovation will help the local economy, which was abandoned by both the municipality and the department of Retalhuleu, to rebound again. In the medium term, the port will be used to transport merchandise or for coastal trading, i.e. short trips by sea from Champerico to Quetzal Port and to other ports in Central America.



Cruise ship arrivals to Guatemala increase by 20% (Source: mipunto.com) One of the reasons for the increase was the arrival of 6 vessels that switched destinations from Mexico to Guatemala due to the

influenza A outbreak. Last season, which began in August 2008 and ended last weekend, the major Guatemalan ports, Queztal and Santo Tomás de Castilla, received 122 cruise ships.

Cup of Excellence auction (Source: prensalibre.com) On July 8, 23 lots of coffee will participate in the online auction. It is expected that the world record price of \$80.20 per pound achieved in the previous issue will be surpassed. In the 2009 edition of the Cup of Excellence in Guatemala, El Injerto Farm obtained first place for the second consecutive year, achieving a score of 91.98. Montecristo farm, which received the same overall average score as the first place winner, was given second place through the determination of the judges. These winning coffees were chosen by a select group of national and international cuppers and are cupped at least five different times during the competition process. Only coffees that continuously score high enough are allowed to move forward in the competition.

\$42 Million for Geothermal Energy (Source: Ormat Technologies, Inc.) ORMAT Technologies received funding for the development of Phase II of Amatitlán geothermal plant. ORMAT provided its own funds for the development, initial project construction and well drilling. The power plant currently generates approximately 17MW and it is expected to reach its design capacity of 20MW by the end of the second quarter of 2009, after the connection of a recently drilled well. ORMAT Technologies, Inc. is the only vertically integrated company primarily engaged in geothermal energy. The company designs, develops, owns and operates geothermal power plants around the world.

Call Centers in Guatemala need bilingual staff (Source: prensalibre.com) In order to grow, the call center industry needs to train 22 thousand Guatemalans over the next two years. As part of the annual meeting of the International Association of Outsourcing Professionals, Central America chapter, Mario Lopez, Transactel executive, noted the need for a bilingual workforce in order to remain competitive. Outsourcing company Transactel has had the opportunity to bring large companies like Genpact, 24-7, Digitex and Exxon, among others, but has difficulty finding the bilingual workforce.

Joint venture between CABCORP and PepsiAmericas (Source: PepsiAmericas Inc.) Central America Beverage of Guatemala and PepsiAmericas will combine operations in the Caribbean, Guatemala, El Salvador, Honduras and Nicaragua. This strategic alliance is aimed at geographic growth and expansion, and the final signing is expected during the third quarter of 2009. Under the agreement, CABCORP will control 82% of the joint venture and PepsiAmericas the remaining 18%. CABCORP is the 12th largest company in Central America, with sales of \$480 million in 2008, and it has been responsible for undertaking the distribution, manufacturing and sales of Pepsi-Cola products since 1942. CABCORP will contribute its local management expertise to foster the growth of the combined company. In addition to PepsiCo brands, the joint company will produce and sell a broad product portfolio within the territory of the agreement.



Tecnoalimentaria 2009 (Source: sigloxxi.com) From May 25-May 27, the 2009 edition brought together 40 companies in the Industrial Park in Guatemala. Attended companies came from Guatemala, Mexico, Panama, the United States and El Salvador. The exhibition hall consisted of 50 stands in which companies that supply machinery, equipment, utensils and accessories, as well as raw materials, ingredients, packaging materials, cleaning products

and systems, training services, consulting, export, transport and laboratory analysis presented their products.



Nicaragua

Mayoralties to grant permits and concessions (Source:

elnuevodiario.com.ni) With the new Coastal Law, local governments would be responsible for granting concessions and permits for tourism development in coastal areas. The approval of 71 of the 73 articles of the

Coastal Law being discussed in Parliament would leave the granting of concessions for tourism development, service delivery, recreational uses and beach use regulations in the hands of local and regional governments. The National Commission for Development of the Coastal zones, CDZC, which will be a coordinating body between the different state institutions that have a bearing on the beaches, such as the Nicaraguan Institute of Territorial Studies, INET, the Ministry of the Environment and Natural Resources, MARENA, the Ministry of Transport and Infrastructure, MTI, and the Institute of Tourism, INTUR would be created. It also includes coordination with the Higher Council of Private Enterprise COSEP. The registry of concessions will be done in the mayoralties and regional governments, in the case of the Caribbean coast, but the municipal and regional authorities concerned will have to submit a an annual registry of the concessions granted to the CDZC.

Tourism in Nicaragua increases by 11.6% (Source: SDPnoticias.com) In the first quarter of this year, 310,271 people arrived, compared to 278,111 registered during the same period in 2008. The president of the Tourism Institute of Nicaragua, Mario Salinas, reported that 60% of the visitors came from Central America and some 30% from the US. The migration measure to suspend visa requirements for Costa Rican citizens has had a positive effect with an increase of 6% over the same period in 2008.

ProNicaragua among the world's best

ProNicaragua, the official investment promotion agency of Nicaragua, was recently ranked as one of the best agencies of its type in the world according to the Global Investment Promotion Benchmarking 2009 published by the Foreign Investment Advisory Service (FIAS) of the World Bank. The study was conducted between March and September of 2008 and included 213 Investment Promotion Institutions (IPI) of 181 countries and 32 sub-national regions. The study ranks PRONicaragua in the 11th position worldwide in general performance among national agencies and in the 18th position if also considering sub-national agencies. The study describes Nicaragua as one of the new countries to enter the IPI high-performance category, and highlights that the country's online information facilitation service ranks along with the world's best IPI.

New adrenaline craze: board down an active volcano

Volcano boarding in Nicaragua is the new extreme sport craze that is, quite literally, too hot to handle. Organized by Bigfoot Hostel and Green Pathways Tours, the experience offers thrill-seekers the chance to jump on plywood boards and hurtle down an active volcano at speeds of up to 68km/hr. The ride down one of the region's most active volcanoes, Cerro Negro (known to locals as The Black Mountain), consists of a 725m run which, judging by the video, raises both the blood-pressure and the mercury.

Investing in Nicaragua Is Safe

Without question, and perhaps contrary to popular belief, Nicaragua is a stable, safe, and peaceful country for investment. There is no doubt that Nicaragua is a developing country, but that does not constitute it being unsafe. In fact, quite the opposite is true: Nicaragua is the second safest country in all of Latin America (behind Uruguay), and Nicaragua has a lower reported crime rate than France, Germany, and the United States, according to a United Nations/Interpol study.

Spain's Barceló opens second hotel in Nicaragua

Spanish hotel chain Barceló has opened a new, six-story, 147 room hotel here, the company's second property in Nicaragua. The five-star Barceló Managua is located in the southern section of the capital, near the Masaya highway, according to Barceló's executive in charge of Central America and South America, Carlos Ruiz. The Spanish hospitality and travel company's other hotel in this country is the Barceló Playa Montelimar Resort & Casino, located on the Pacific coast some 55 kilometres south of Managua. Barceló will manage the hotel for Grupo Amano, which owns the property and has invested \$10 million in developing it, Ruiz said. The hotel offers a la carte and buffet restaurants, a bar, meeting facilities, a swimming pool, gym, gift shop and ample parking, Barceló Managua general manager Gerardo Caligari said. The hotel was opened for business and was officially inaugurated by the end of April. Barceló Hotels & Resorts operates four- and five-star hotels in Costa Rica, Nicaragua, Mexico, the Dominican Republic, Cuba, Ecuador and Guatemala.



El Salvador

The new Salvadoran economic team (Source: elfinancierocr.com)

Federico Colorado, president of the National Association of Private Enterprise, welcomed the appointments announced by the president-elect. Economist Alexander Segovia will be technical secretary to the presidency, legislator Héctor Dada Hirezi will be Minister of the Economy, economist Carlos Cáceres will be Finance Minister and economist Carlos Acevedo will be president of the Central Bank. Legislator Gerson Martínez will head Public Works and economist Manuel Sevilla will be Minister of Agriculture. In addition, electrical engineer German Rosa Chávez will be Minister of Environment and Natural Resources. Most of the newly appointed heads of the new economic cabinet are all professionals with a recognized academic trajectory, who are expected to know how to lead the country's economic activity.

International Monetary Fund mission to El Salvador (Source: International Monetary Fund)

The initial conclusion is that El Salvador's financial system has weathered well the aftershocks of the global financial crisis and the uncertainties surrounding the elections, and remains liquid and well-capitalized. A mission from the International Monetary Fund (IMF), headed by Alfred Schipke, visited San Salvador during May 18-27 to initiate discussions for the first review under the US\$800 million precautionary Stand-By Arrangement, approved on January 16. The impact of the global economic slowdown on El Salvador's economy has been greater than anticipated when the SBA was approved. Exports, remittances, bank credit, and overall economic activity have been significantly below initial program projections. The immediate challenge is to adopt an economic program that takes into account the effects of the global slowdown on the fiscal accounts, while safeguarding El Salvador's fiscal sustainability.

Tax collection decreases (Source: laprensagrafica.com) Tax collection between January and April 2009 was \$186.6 million, a decrease of \$48.5 million in relation to the same period in 2008. The number of taxpayers seeking to make instalment payments has increased.

According to a Treasury report, tax revenues have fallen by 11% during the first four months of 2009 compared to the same period in 2008. Moreover, the collected amount is 15.9% less than what was projected in the nation's budget. The same applies to VAT, which has decreased by 13.2% compared to last year, and 19.5% with respect to what was budgeted.



Tariff benefits with Europe at risk (Source: laprensagrafica.com)

If the Salvadoran Constitution is not amended so that it is in accord with ILO requirements, the country would lose GSP benefits. In order for El Salvador to continue enjoying the Generalized System of Preferences (GSP) tariff benefits, Articles 47 and 48 of the Salvadoran constitution must be amended so that they will be in agreement with International Labor Organization (ILO) pacts regarding unionization and collective bargaining in the state sector. If El Salvador loses the Generalized System of Preferences (GSP) tariff benefits, it would affect 137 companies that export to Europe under this benefit, according to data from the Central Reserve Bank (BCR). Of this total, 40 are industrial companies, according to the Salvadoran Association of Industrialists (ASI).



Azteca Bank to start operations in El Salvador

(Source: laprensagrafica.com) The process is in the final stage. Once the required technical aspects have been approved, the permits to operate would be granted. Luis Armando Montenegro, Superintendent of the Financial System (SSF), reported that the Board of Directors of the Superintendent will receive the case no later than June 10 for its approval. To date, the required capital complement is missing. Due to a legal adjustment, it went from \$14 to \$16 million, of which \$14.2 million have been deposited; a deadline of June 30 was given for the complement. The bank would begin operations with 23 agencies and nationwide coverage. It would generate more competition and thus result in greater credit access.



Honduras

Energy: Honduras exports 1,250 MW daily (Source: elheraldo.hn)

The country has an energy production capacity of 1,294 MW, of which it consumes a maximum of 1,115 at peak hours. This was stated in a report by the National Electricity Company (ENEE), which also indicated that excess production is exported to the Regional Energy Market (MER), which takes place in low demand hours, between 9 pm and 10 am. The report also detailed that of the 1294 MW generated, 747.5 MW (58%) come from thermal plants, 446 MW (34%) come from water sources and the remaining 101 MW (8%) are produced by mills, factories and thermal plants belonging to the ENEE.

Acme-McCrary installs maquila plant in Honduras (Source: laprensahn.com) The American Company will begin activities next week in Zip Choloma Park. The company is engaged in weaving and making socks and underwear. Its general manager for Honduras, Jorge Pitsikalís, stressed that this is the first plant they have opened outside the US and that it has hired 230

people. Acme-McCrary decided to settle in Honduras because they believe in the Honduran workforce and also because of the proximity to the United States.



Cruise ship industry meets in Honduras The island of Roatan will be home to one of the annual events of the Florida-Caribbean Cruise Association from June 21 – 26, 2009. This is the 7th Conference of the Platinum Members of the Florida-Caribbean Cruise Association (FCCA), which will bring together executives of the major shipping lines coming into the territory and the representatives of national governments in the region. "The cruise industry in Roatan has become a vital component of the growing tourism industry in Honduras, and we are proud to have the opportunity to host the Platinum Conference, and we gladly welcome FCCA Platinum members and cruise ship executives who are members of the FCCA and have cruise lines to the island," said Ricardo Martinez, Minister of Tourism of Honduras. "For those who have never visited Roatan, the conference will showcase a wide variety of offerings. And for those who have previously visited the island, they will be able to see the experience of positive growth first hand."

Honduran businessmen call for labour reform (Source: Tiempo.hn) Through reform to the labour law, entrepreneurs would be able to create about 250 thousand jobs in a month. This is what the president of the Honduran Council of Private Enterprise (COHEP), Amilcar Bulnes, said if the reform would allow them to hire people part-time.

Honduran cruise ship terminal at risk (Source: laprensahn.com) The \$300 million project is being affected by problems in obtaining the land for construction of a sanitation plant. Representatives of the Canadian investors and municipal authorities are in negotiations with locals in the zone destined for the sanitation project, and the outcome of these talks will determine the continuity of the project. Residents are asking a high price for their properties while others are reluctant to leave their property.

Three companies show interest in Palmerola Airport (Source: laprensahn.com) Three companies of Spanish, Japanese and Korean origin are interested in building the airport in Palmerola. Gen. Bartolomé Funes, a representative of the entity responsible for conducting the project has not released the names of the companies. The selection of one of the companies depends on the guarantees, speed and economy it offers. There will not be a bidding process for the selection procedure.

\$250 million livestock project (Source: elheraldo.hn) The Honduran Government announced the intention of Anglo American Project company to invest that amount in a macro-project in Olancho. The American capital and English capital company would be interested in investing in the production of meat, milk and livestock, according to Efraín Figueroa, vice minister of Agriculture. Additionally, investors will contemplate the possible installation of a milk processing plant. Faced with the proposal, the Ministry of Agriculture and Livestock (SAG) has called for cattle ranchers from Olancho and observers from Francisco Morazán and Olanchito Valley to present the current situation to the authorized representative of the company in Honduras. The company seeks a guarantee for 20% of its investment (about \$50 million), which could be backed by the State of Honduras. The American company first tried to sell this project in Nicaragua but negotiations failed and consider Guatemala as their third option.



Dominican Republic

New cement factory

A cement plant was authorized to the Santiago based Grupo Estrella and its Consorcio Minero Dominicano. The Ministry of Environment concession is for around 4.5 km² of limestone rock that will be used to produce Portland-type cement.

Tender for several underground parking spots

Santo Domingo Mayor wants the private sector to build 12 new underground parking lots in the city. The Ministry of Public Works will be contributing to the funding and a tender to choose the builders will be held shortly.

Economic indicators worsen

Despite government collections dropped by 10.2% during the first four months of 2009, economic growth was 1% from January to March, according to the central bank. Furthermore US exports to the DR fell 20% from US\$1.61 billion between January and March 2008 to US\$1.3 billion for the same period in 2009. Dominican exports to the US fell by about 21% in the first two months of the year and the arrival of tourists from the US fell by 8.6%.

Sectors showing growth were communications (21.4%), farming (9.9%), financial services (8.5%), energy and water services (6.3%), education (5.3%), health (3.5%), housing rentals (3.1%) and public administration and defense (1.6%).

Sectors showing a decline were mining (-74.9%), construction (-21.9%), free zone manufacturing (-13%), commerce (-6.8%), hotels, bars & restaurants (-7.5%) and local manufacturing (-3.3%).



EVD country webpage

The EVD 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 please visit website: www.evd.nl/landen. More information can be obtained from Marjolein Steinebach, country manager Central America, thru email steinebach@evd.nl or by phone (0031) 070-778 8731.



Embassy of the Kingdom of the Netherlands as information source

On the internet site from the Embassy of the Kingdom of the Netherlands in San José (for countries Panama, Costa Rica, Honduras and El Salvador) you can find general information on these countries in our resort but also specific commercial information. Our 'handelswijzers' business trade guides entails broad and up-to-date information on how to do business in each of the four countries, as a tool/guide for Dutch exporters and investors. Visit: www.holanda.cr or www.handelswijzer.com For more information you can contact our commercial department at the Dutch Embassy in San José thru email nltrade@racsa.co.cr or by phone (00506) 2296 1490 (Carel Richter, Hans Buhrs or Monique van Hussen). You can also contact our

Consulaat-Generaal in Panama (Dieter Ploeger), Phone: (00507) 263 6494 or (00507) 264 7257. Email: consuladonl@cwpanama.net

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 .

For more information on Nicaragua you can contact the commercial department of the Dutch Embassy in Managua by email mng@minbuza.nl or by telephone (00505) 276 8630 (Jan Bauer, Luis Bravo) More information on website: www.embajadaholanda-nic.com .

For more information on Dominican Republic you can contact the commercial department of the Dutch Embassy in Santo Domingo by email std-ea@minbuza.nl or by telephone (00 1 809) 262 0320 (Reinier Davina) More information on website: www.holanda.org.do