

Regional Economic Newsflash September 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 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.

Regional

- *Economic downturns and inflation hit remittances*
- *Venezuelan cooperation prevails over US aid*
- *Central American bananas gaining market share in Europe*
- *Doing Business Country Report 2009*
- *IADB offers grants to jump-start water and sanitation projects*
- *KLM to increase frequency direct flight to Panama*

Costa Rica

- *Costa Rica gets second extension on CAFTA*
- *ICE's size will matter when telecommunication sector opens*
- *US credit crisis is affecting tourism development projects*
- *Amazon to open Costa Rica call centre*
- *CORIPORT presents only bid to build Liberia airport terminal*
- *Inflation estimates move from 8% to 15%*
- *Key interest rate goes up for 10th time this year, reaches 9.5%*
- *Costa Rica main supplier of root crops to U.S. market*
- *Paperwork now easier for duty-free zone businesses*
- *Meat exports on the rise; markets diversify*
- *Total exports grow by \$350 million in first semester*
- *Spanish trains will run in Costa Rica*

Guatemala

- *Guatemala approves Law on Access to Information*
- *Guatemala asks UN to study worldwide migration*
- *(USDA) Secretary Ed Schafer in Guatemala*

- *GENPAC announces acquisition of delivery centre*
- *A slight decline in Foreign Direct Investment in Guatemala*

Nicaragua

- *IAOP Central America Chapter held in Nicaragua*
- *Nicaragua approves law for protection of Bosawas natural reserve*
- *Nicaragua will modernize fiscal and social management*
- *Citibank starts operations in Nicaragua*
- *Nicaraguan captives become the nearshore alternative for construction*
- *Why Nicaragua?*

El Salvador

- *US economic downturn hurts El Salvador*
- *El Salvador's credit downgraded*
- *El Salvador by the numbers*
- *El Salvador wins more airline maintenance work*

Honduras

- *18-Month Extension of Temporary Protected Status*
- *President of Honduras meets with IDB President*
- *Honduras will improve infrastructure in San Pedro Sula Logistics Corridor*
- *Honduras will increase capacity of its Electric Power Grid*

Dominican Republic

- *Impact of the US financial crisis on Dominican Republic*
- *DR makes most of EPA*



Central-America region

Economic downturns and inflation hit remittances (Source: IADB)

For the first time this decade, remittances are to decrease in value due to an economic downturn in the US, higher inflation and a weaker dollar.



According to the Inter-American Development Bank's Multilateral Investment Fund (MIF), migrants from Latin America and the Caribbean will send some \$67.5 billion to their homelands in 2008, against \$66.5 billion in 2007. However, adjusted for inflation, this year's total will be worth 1.7% less than the total sent in 2007, marking the first decrease in the value of remittances to Latin America and the Caribbean since the MIF started tracking these flows in the year 2000. Until last year, remittances to the region had grown by double digits every year.

Venezuelan cooperation prevails over US aid

Costa Rican president, Oscar Arias, said recently that Venezuelan cooperation to Latin America is "four or five times" higher than the United States' and defended his decision to apply for membership in Venezuela's Petrocaribe initiative.

Central American bananas gaining European market share



The European market share of Central America bananas has seen a strong growth over the last couple of years, market share during 2007 was even 73,4%, which is 5.4% more than during 2006. The import market grew by 7% during the same period. Despite the continued consolidation, Ecuador (world's largest exporter) was successful in keeping the largest market

share in the EU, followed by Costa Rica, Colombia and Panama. These last three countries have increased their export with 21%, 16% and 13% respectively. Two countries, which have made a deep impression during the last years, are Peru and Honduras. They exported 48% and 40% more bananas to the EU.

Doing Business Country Report 2009

The Doing Business project ranks economies based on 10 indicators of business regulation that record the time and cost to meet government requirements in starting and operating a business, trading across borders, paying taxes, and closing a business. The rankings do not reflect such areas as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
El Salvador	72	103	121	87	42	43	113	124	57	53	78
Dominican Republic	97	84	77	97	106	68	126	72	32	83	144
Nicaragua	107	85	134	66	136	84	88	162	99	66	67
Guatemala	112	147	164	106	27	28	126	120	123	106	90
Costa Rica	117	123	123	77	45	59	164	152	94	132	98
Honduras	133	146	71	156	90	28	150	137	107	176	115

Source: Doing Business Country Report 2009 (www.doingbusiness.org)

For example, within the CAFTA region, El Salvador (72nd) is ranked best and Honduras (133th) the worst out of 181 countries, on ease of doing business. Data in the Doing Business 2009 report is current to 1 June 2008. For more information, visit www.doingbusiness.org.

Inter-American Development Bank offers grants to jump-start water and sanitation projects
(Source: IADB)

The Inter-American Development Bank establishes a new financing fund, called “Aquafund” to help Latin America countries in developing solutions for pressing water and sanitation problems. The Aquafund is a fast-disbursing vehicle intended to help accelerate the development of projects in the water, sanitation and solid waste disposal sectors. It can be used to finance activities ranging from pre-feasibility studies to technical training and knowledge dissemination, depending on specific local needs. Aquafund grants can be used to support projects that subsequently receive both loans with either sovereign or non-sovereign guarantees. It is expected to finance activities such as improvements in the legal and regulatory framework, water resource management, and capacity building at municipal, state and national level. Aquafund grants will also be available directly to water, sanitation and solid waster service operators.

KLM to increase frequency direct flight to Panama



The aviation industry is suffering a crisis and most airlines are closing down destinations. But not KLM. The Dutch airline company will extend its direct flight from Amsterdam to Panama from 3 to 5 weekly flights starting from December. Due to the growing Panamanian economy ever more companies are coming to

the isthmus but also tourism is increasing. Since the restart of the flight after ten years the 31st of March this year occupation has been around 80% but rose last month to a staggering 92%.

Costa Rica



Costa Rica gets second extension on CAFTA

Costa Rica has three more months to pass legislation required to enter the Central American Free-Trade Agreement with the United States (CAFTA). The United States, the Dominican Republic and Central American signatory-states have agreed to extend Costa Rica's Oct. 1 deadline for entering the pact. Lawmakers are now working to pass the last of 13 bills required for Costa Rica to enter the treaty.

ICE's size will matter when telecommunication sector opens (Source: Financial Times)

Pedro Pablo Quirós, president of ICE, the state-run company for telecommunication and electricity, is optimistic not only about what competition will mean for the country's population, but also about ICE's chances of defending its market through new technologies, alliances and products. One advantage ICE has is its size. Between its electricity business and its telecommunications business, it has 20,000 employees, assets of \$8.5bn and daily earnings of \$5.5m. It also has 95 per cent coverage in fixed-line phones at the national level - the widest in Latin America - and offers the cheapest rates in the region. The law that allows for competition, which was passed last July, also gives much great organizational and budgetary flexibility to ICE. For example, the company can now seek debt for investment equivalent to up to 45 per cent of its fixed assets. This year alone, ICE plans to invest \$400m, much of which will go towards constructing a new fiber-optic network and a \$250m "3G" network will be up and running by the second half of next year. Mr Quirós believes that private investment in Costa Rica's telecoms sector will come in the form of alliances with ICE rather than as direct competition. Plenty of opportunities for Dutch communication companies.

US credit crisis is affecting tourism development projects



In Costa Rica, several major hotel chains announced that their impending investments would be suspended for an indefinite period of time, until project viability could be assured. These decisions represent a more than \$1.2 billion investment in Costa Rica tourism. Many large hotel projects are financed by United States banks such as Lehman Brothers, which had just opened offices in Costa Rica earlier this year. Current projects financed by American sources include the \$800 million Punta Cacique (Guanacaste), \$200 million Saint Regis (Central Pacific), \$120 million Regent (Papagayo Peninsula), \$100 million Hyatt (Bahí Brasilito, Guanacaste), and the undetermined investments of the Mandarin Oriental (Manzanillo, Guanacaste), Pacífico (Playa del Coco) and the Papagayo (Guanacaste).

Amazon to open Costa Rica call centre

World's largest internet retailer is to establish a customer contact centre in Costa Rica, its first direct presence in Latin America, to help support its growing business. Costa Rica, which has wages well below those in the US, has attracted several call-centre operators who use it to service customers in the US, Latin America and Spain. Amazon's planned investment in Costa Rica comes as the retailer expands the Spanish language offerings on its US site; an estimated 6 million Latin American users visited its sites each month.

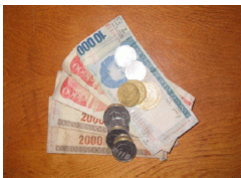




CORIPORT presents only bid to build Liberia airport terminal

Only CORIPORT, a consortium made up of five companies, presented its bid before the National Concessions Council to design, finance, build, operate and maintain the new terminal at the Guanacaste airport. The project represents an investment of \$18 million. The bidding consortium mixes local and foreign capital, as it includes a U.S. company (ADC & HAS AVIATION S.A), a Canadian firm (MMM AVIATION GROUP S.A), and three of Costa Rican ownership (BRAD & TOD CORPORATION S.R.L, COCOBOLO INVERSIONES S.R.L. and EMPERADOR PEZ ESPADA S.R.L.). The concession CORIPORT is competing for will last for 20-25 years. The Liberia airport has been experiencing a continuous increase in visitation, and forecasts indicate that by the year 2010 more than half a million people will come through this terminal annually. According to the Civil Aviation Technical Council (CETAC), last year some 365,000 passengers arrived in Costa Rica via Daniel Oduber. The expansion project includes a new, 15,000 square meter terminal, which is expected to meet the airport's needs by 2014. After that year, the bidding package stipulates that the chosen concessionaire will need to expand the terminal by 5,000 square meters or as needed according to demand.

Inflation estimates move from 8% to 15% (Source: Infocom)



Even though officials estimated that inflation this year would only reach 8 percent, the Costa Rican Central Bank recently announced the rate is expected to be much higher: 15.2 percent. Such a sharp adjustment was made due to several factors, among them the increase in food and fuel prices and the hike in rates for basic public services such as electricity.

Key interest rate goes up for 10th time this year, reaches 9.5%

On Sep. 30, the Costa Rican Central Bank announced it increased by 1 percent the Basic Passive Rate (TBP), thus reaching 9.5 percent — the highest it has been all of this year. Only last May, this key rate for lending was a historic low of 4.25 percent. By increasing interest rates, the Central Bank is seeking to alleviate inflationary pressures that have been affecting the local economy, lowering internal demand for cash by increasing the opportunity cost and by passing on this increase to other financial instruments and credit given by the private sector.

Costa Rica main supplier of root crops to U.S. market

Costa Rica has become the main supplier of root crops to the United States, providing 44 percent of total U.S. imports during 2008 over key competitors such as Jamaica, Ecuador and Nicaragua, according to the U.S. International Trade Commission. Costa Rican exports of tubers and root crops have grown by 39.3 percent between January and August of this year compared with the same period in 2007. Among the main crops the country sells abroad are cassava, yam and malanga.



Paperwork now easier for duty-free zone businesses

Three executive decrees issued by the Costa Rican government seek to expedite paperwork required of companies that operate in the country's duty-free zones. The new guidelines would reduce subcontracting paperwork for firms in the exporting category from 20 days to only three days. The goals of these reforms include increasing the number of companies in duty-free zones, expanding the number outside of industrial parks, simplifying auxiliary

paperwork, and improving processes related to satellite plants, warehouses and local-purchases reports. Ruiz indicated that these changes will generate better conditions for production, which would translate into better investment flow.

Meat exports on the rise; markets diversify

During 2008, sales of Costa Rican beef overseas have grown by 22.6 percent. Markets for Costa Rican meat products are diverse, including the United States and Puerto Rico and even Taiwan, not to overlook neighbouring Central American and Caribbean countries. Exports increased partly due to value-added products (such as beef patties and beef tacos), which are sold to nations such as Mexico and Jamaica. For the past three years, Costa Rica has also been selling beef to Japan, and the country is now exploring ways to enter the vast Chinese market.

Total exports grow by \$350 million in first semester



In more general terms, total Costa Rican exports grew 6.5 percent as of July of this year, compared with the first semester of 2007. The increase in revenue was a little more of \$350 million. Top performers in the agricultural sector include coffee and pineapple, with a sales increase of more than 23 percent, favoured by a boost in prices and sales volume.

Ornamental plants benefited from an 8.6 percent increase, while the ornamental foliage item grew by 15.4 this year. Growth in the food industry compared to the first half of 2007 was smaller: 4 percent increase. However, several items within the food industry scored significant increases during this period, including prepared foods (the industry's main export, 19 percent); palm oil, whose exports have grown by 35 percent due to the high international prices for this product; and cookies and other baked goods, which raised 26 percent.

Manufacturing settled for a 4.9 percent increase, fuelled by a jump in the export of medical products (which grew by \$120 million). Other top performers in this category include electrical wires (17 percent); insecticides (25 percent); fertilizers (more than 100 percent); tires (19 percent); paper products (31 percent) and packaging (18 percent); furniture (18 percent); and cleaning products (38 percent).

Regarding key markets for exports this year, sales to EU countries grew by 17.5 percent — an increase that has been fuelled by higher demand from countries such as the Netherlands, Belgium, Italy, France, Spain, Portugal and Ireland.

Spanish trains will run in Costa Rica

Costa Rica's long-awaited San José-Heredia train has just gotten a step closer to realizing its creation: the Institute of Costa Rican Railways (Incofer) has begun negotiations with the Spanish Narrow Rails Railway company to acquire four model 2000 commuter trains for \$8 million dollars, which will be the most modern trains in the country.



The four new-but-used trains will arrive in Costa Rica in the beginning of 2009 and will only be used on the Heredia-San José route.



Guatemala

Guatemala approves Law on Access to Information

The Guatemalan government and civil society happily welcomed a new law of Free Access to Information, and considered it a tool to make administration of public funds accountable and fight prevailing corruption in the country. The law, approved by Congress, makes it possible to ask more clearly that state institutions account for their performance and report on the use of public funds. "This is a very huge step

for public accountability and democracy in the country”, said acting President Rafael Espada, one of the main promoters of this initiative. The Legislation, which was at a standstill in Parliament for 10 years, establishes administrative and penal sanctions for those who refuse to give information. By virtue of this rule, the population could ask for details about the budget allocated to a work and how it is implemented, the hired personnel, salaries and handling of state resources. Human rights activist Frank La Rue considered the law a positive step, although he questioned the fact of classifying certain information as confidential.

Guatemala asks UN to study worldwide migration

Guatemala’s President Alvaro Colom proposed that Secretary-General Ban Ki-moon set up a panel of eminent figures to investigate the scope and effects of migration around the world, stressing that people who leave their homelands for other countries have inviolable rights. Colom told delegates at the General Assembly’s annual high-level debate that their countries should be able to show the “same drive and devotion” to devising “an international structure that guarantees the fundamental rights of migrants” as they do already towards the cause of free trade. “If we globalize what’s material, I am convinced we are morally compelled to globalize what’s human to pave the road to hope for millions of migrants in the world,” he said. “With this idea in mind, I allow myself to suggest to the Secretary-General that the creation of a panel comprised of former presidents from origin and recipient migrant countries to examine the nature, scope and consequences of the migratory phenomenon, and to disseminate its findings during the next substantive session of the General Assembly.” The President said the free flow of labour migrants should take place as part of “a human movement to eliminate the suffering of millions of human beings that simply seek opportunities of work and welfare.”

In his address, he also warned that social inequality, hunger and global warming pose just as big a threat to security as more traditional causes, such as terrorism and organized crime, including illegal drug trafficking. He urged renewed international commitment towards achieving the Millennium Development Goals (MDGs), the set of eight anti-poverty targets that world leaders pledged at a UN summit in 2000 to try to reach by 2015.

United States Department of Agriculture (USDA) Secretary Ed Schafer in Guatemala

In September United States Department of Agriculture (USDA) Secretary Ed Schafer led a U.S. Agribusiness Trade and Investment Mission to the Central American region to further promote two-way cooperation, trade and investment between the United States and companies in Central America and the Dominican Republic. Secretary Schafer also met with high-level government officials and visited U.S. agricultural development assistance and export certification facilities. For the Central American nations of El Salvador, Guatemala, Honduras, and Nicaragua, as well as the Dominican Republic, two-way trade of agricultural products with the United States is expected to meet or exceed \$5 billion in 2008. Two-way trade grew 21% from \$3.8 billion in 2006 to nearly \$4.6 billion in 2007, less than a year after the agreement had come into force with these five countries.

"Face to face business contact adds great value to these trade agreements in place among our governments," said Schafer. "There are 17 U.S. agribusinesses travelling with us, who will develop additional lines of commerce by meeting with nearly 70 Central American and Dominican Republic companies. This is an excellent business opportunity on both sides of this two-way trade equation. The Central America Free Trade Agreement is expanding trade, improving competitiveness, and accelerating economic growth everywhere it is in place throughout this region." In Guatemala Schafer met with the Ministers of Agriculture of Central America and the Dominican Republic. He then proceeded to visit the other CAFTA countries.

GENPAC announces acquisition of delivery centre

Genpact Limited (NYSE:G), a leader in the globalization of services and technology and a pioneer in managing business processes for companies around the world, announced that it acquired a delivery centre in Guatemala City from GE Money, a division of the General Electric Company. The newly-acquired facility is Genpact's first in Guatemala and will extend Genpact's Latin American presence beyond Mexico and enhance its ability to provide business process services in English as well as in Spanish. Genpact will provide services to GE Money from the facility. With Guatemala President Alvaro Colon in attendance, the facility was officially opened in July by GE Money and BAC/Credomatic. GE Money's Retail Consumer Finance division, along with BAC will both continue operations for their customers from a portion of the facility. Genpact's new delivery centre will initially accommodate more than 700 professionals and has the capacity to grow to approximately 2,000. The facility's close proximity to the region's largest public university is a major advantage in terms of attracting key talent.

A slight decline in Foreign Direct Investment in Guatemala

World economic crisis has affected different sectors in Guatemala, among them, foreign direct investment, which suffered a decline of US\$34.1 million from January to August 2008 compared to the same period last year. According to Thomas Dougherty, President of the Guatemalan Chamber of Industry, this decline is not only due to the world economic crisis, he stated that the business climate in Guatemala has to improve in terms of providing security and unwavering laws to investors. According to data from the Guatemalan National Bank, Foreign Direct Investment in Guatemala comes mostly from the United States of America, Mexico, Taiwan and Central America favouring sectors like industry, commerce, electricity and telecommunications.



Nicaragua

IAOP Central America Chapter held in Nicaragua

PRONicaragua, the official investment promotion agency of Nicaragua, sponsored the launch of the International Association of Outsourcing Professionals (IAOP) Central America Chapter, held at the Intercontinental Hotel in Managua. This association gathers the world's leading outsourcing customers, providers and advisors to exchange thought leadership, share best practices and network to maximize their effectiveness using outsourcing as a management tool. Chris Disher, Chairman of the IAOP Central America Chapter, and Javier Chamorro, Executive Director of PRONicaragua, presided this event, which not only highlighted Nicaragua as ideal destination for investments in this sector, but was also a great opportunity for local companies to learn more about the main industry trends and success stories of the outsourcing industry worldwide.

Nicaragua approves law for protection of Bosawas natural reserve

Nicaraguan legislators have approved a law to protect the Bosawas biosphere reserve in the northeast of the country, an opposition deputy said Wednesday. The Nicaraguan National Assembly approved the Soil Use Conservation Law in the Bosawas reserve on Tuesday, said Maximino Rodriguez from the Constitutionalist Liberal Party. The law establishes measures to prevent illegal wood trafficking in the region, which is the second largest rainforest in the Americas after the Amazon in Brazil and represents 15.25 percent of the national territory. Rodriguez said that wood has been sold illegally in El Salvador and Honduras, where it was widely used for making furniture and other products. Moreover, a million hectares of woods

in the area were destroyed in September last year by hurricane Felix. President of the parliamentary Environment Commission Carlos Garcia said the new law imposes penal and administrative sanctions. "This law is against the people from the north of the country who are used to the felling and burning of trees," said Garcia, who is from the Nicaraguan Liberal Alliance. The Bosawas reserve is the largest tract of tropical rainforest north of the Amazon. It is home to indigenous Miskito and Mayangna people whose traditional life style causes little habitat disturbance.

Nicaragua will modernize fiscal and social management

Nicaragua will modernize its revenue collection and expenditure management system with a series of three fast-disbursing Inter-American Development Bank operations. The program will improve fiscal and social management through operations that promote efficiency and transparency, in order to contribute to sustained economic growth and poverty reduction. "This program will help maintain the macroeconomic framework and increase revenue collection by improving the administration of the internal revenue service and customs administration," said IDB team leader Sandra Bartels. "It will also improve results-oriented public expenditure management and increase efficiency of spending on poverty reduction." "The first operation will promote improved transparency through an electronic procurement system for 32 public entities to foster greater transparency, participation and competitiveness," said Bartels. "This operation will also support the government's efforts to increase allocations to poverty reduction in 2007-2010 as a percentage of the gross domestic product," added Bartels. "Priority will be given to initiatives for the most vulnerable social groups and a system for monitoring and evaluation of basic social services will help progress towards the United Nations Millennium Development Goals to reduce poverty by half by the year 2015."

Citibank starts operations in Nicaragua

Citibank of Nicaragua, from the American Citigroup, started its operations in Nicaragua due to a merge with another Central American financial institution, Grupo Financiero Uno. "It is a pleasure for us to announce that the new name of Banco Uno is Banco Citibank de Nicaragua S.A., and Aval Card S.A. became in Cititarjetas de Nicaragua S.A.", informed the new bank in an announcement. The financial products contracted under Banco Uno S.A. and Aval Card S. A. will remain in the same contracting terms. The customers will continue using their checks, debit cards, credit cards and banking services through internet using the same customer numbers and passwords. Nicaragua became the third country (this operation started in Honduras and El Salvador) in Central America where the Citigroup enlarge its operations. Mr. Edgardo Rincon, Merging Director for Central America, said that the goal in Nicaragua is to increase credit to small and medium enterprises.

Nicaraguan captives become the nearshore alternative for construction

Construction was the first industry to set up captives in a big way in Nicaragua. ECI Development is a Belize-based development company specializing in building retirement and resort communities in Central America. The company puts in the infrastructure and the amenities at the outset, and then builds condos and hotels "to create the critical mass of activities" that define a resort, according to Michael Cobb, CEO and chairman. When Cobb and his colleagues formed their company, they decided "to outsource everything we could." While it has local teams in Costa Rica and Belize, ECI Development outsources its engineering and architectural work to its captive in Nicaragua. Architects at the captive draw up the basic schematic documents. Most countries require local licensed architects to draw up the final construction plans. The captive, called Gran Pacifica Resort also handles operations

and the administration of the construction projects from Nicaragua. This includes accounting, marketing, public relations, and human relations. ECI Development discovered Nicaragua by accident. The company built its first Central American resort in Nicaragua. "We were surprised by the talent we discovered; there's a huge population of totally bilingual people," recalls Cobb.

Why Nicaragua?

"Nicaragua is a hidden gem in Central America," says Cobb. He says "most Americans think of Nicaragua as a country of camouflage and soldiers. But that was back in the 1980s." He says Nicaragua is a great country for off shoring because of the country's civil war. Over 500,000 locals left the country; many landed in the United States or Canada. These ex-pats sent their children to high school and college in America. "Many have lived in the United States over 20 years," he reports.

The result: they understand American culture and speak American English. "As an American businessman, I appreciate their sensitivity to U.S. business culture," says Cobb. "They have a gut-level understanding of what we really want."

Another advantage: Nicaragua is a country of high unemployment. "It's easy to hire people with great talent," Cobb reports. He simply runs an ad in the local newspaper for architects and engineers "and I get 50 resumes." He says it was much harder to compete in the United States for top talent. Moreover, the telecommunications with the United States "is great," according to Cobb. The costs are low and the bandwidth is high, compared to Belize, which has much higher telecom rates, the CEO continues. Low telecom costs are crucial for an engineering captive because of the large CAD files it transmits.



El Salvador

US economic downturn hurts El Salvador

The growing financial crisis in the US is starting to have negative ramifications for El Salvador. A direct effect of the economic slowdown in the US is the decline in remittances from Salvadorans in the US back to their families. Statistics from the Central Reserve Bank of El Salvador show remittances dropping off. Remittances have fallen for three straight months from the previous month, since remittances make up more than a 19% of El Salvador's economy, any slowdown of remittances could be a problem for the country. Another negative sign, Hanesbrands, Inc., maker of Hanes, Champion and Playtex brands of clothing, announced the closing of an El Salvador sewing factory which will mean the loss of 2600 jobs. Hanesbrands is closing facilities in Central America in favor of factories in southeast Asia where labor costs are lower. Rumors have also surfaced that Dell may be closing its call centre in El Salvador.

El Salvador's credit downgraded

Standard & Poor's revised the credit outlook for El Salvador to "negative" from "stable" with an overall rating of BB+. A lower rating implies higher risk and makes it more expensive for a government to borrow funds from world financial markets. The rating was supported by a stable monetary environment which benefited from dollarization in 2001. It also benefited from a track record of predictable, market-oriented policies that has created a favourable investment environment, sustained economic growth, and led to gradual debt reduction. The inefficient gains in productivity and rising inflation, peaking at 9.5 percent in 2008, undermine the country's competitiveness resulting in the negative downgrade.

El Salvador by the numbers:

- 19.0 % of Salvadoran homes receiving family remittances from abroad
- 96.3 % of Salvadoran homes without internet access (84% of all Salvadoran email addresses are registered to the departments of San Salvador and La Libertad)
- 15.2 % of Salvadoran homes with a microwave oven
- 30.4 % of Salvadoran homes using firewood to cook
- 22.8 % of Salvadoran homes without residential water service
- 27.6 % of Salvadoran homes without phone service
- 11.6 % of Salvadoran homes using candles and kerosene lamps to light their homes
- 23.8 % of Salvadoran homes without permanent flooring
- 22.0 % of Salvadoran homes without a TV set
- 13.1 % of Salvadoran homes with a washing machine
- 16.7 % of Salvadoran homes with a car
- 7.9 Average number of school years completed in El Salvador

El Salvador wins more airline maintenance work

Aeroman, which is 80% owned by ACTS, the aircraft maintenance arm of Air Canada, has won another contract from Frontier Airlines and JetBlue. More airlines are outsourcing their maintenance work to



Aeroman. Aeroman performs a variety of maintenance tasks, including sprucing up cabins, upgrading electronic systems and performing the rigorous "nose-to-tail" checks required for all commercial aircraft by the FAA, typically every 12 to 18 months. The company serviced about 120 aircraft last year. Located in a modern facility at El Salvador International Airport, about 30 miles south of the capital, San Salvador, Aeroman employs 1,300 workers. Entry-level trainees earn about \$350 a month. An experienced mechanic can make more than \$1,000 a month plus \$120 monthly in bonuses -- good pay in a nation where the minimum wage for service workers is about \$175 a month. Aeroman beats U.S.-based maintenance contractors, not just on price but on performance and on-time delivery.



Honduras

18-Month Extension of Temporary Protected Status

U.S. Citizenship and Immigration Services (USCIS) announced that it will extend Temporary Protected Status (TPS) for nationals of Honduras through July 5, 2010. The extension will make those who have already been granted TPS eligible to reregister and maintain their status for an additional 18 months. There are approximately 70,000 nationals of Honduras who are eligible for re-registration.



President of Honduras meets with IDB President (Source: IADB)

President Manuel Zelaya of Honduras met with Inter-American Development Bank president Luis Alberto Moreno to analyze the effects of the food crisis, high oil prices and financial market turmoil on the world economy, particularly with respect to Central America and Honduras. The government will carry out macroeconomic policies consistent with economic growth, within a framework of stability, he added. In addition, he said, the government will speed up the execution of development programs, with a focus on greater equality and social inclusion.

Zelaya expressed his thanks for the IDB's support for the Red Solidaria and Programa de Asignación Familiar (PRAF) programs targeting social welfare, strengthening of human capital and anti-poverty efforts. He also highlighted the Bank's assistance in promoting

competitiveness that will ensure more sustainable growth by financing investments in roads and energy, as well as support for the banking system, tourism and trade, including the upcoming Puerto Cortés modernization project.

Honduras will improve infrastructure in San Pedro Sula Logistics Corridor (Source: IADB)



Honduras will improve road access to the city of San Pedro Sula, the country’s industrial hub, with a US\$20 million financing from the Inter-American Development Bank. Works under this program will allow for faster access to Puerto Cortés. The 2007-2010 IDB strategy agreed with Honduras focuses on competitiveness, one of the key priorities is to reduce logistic and productive costs, emphasizing the central role of the transport sector and investments in the sector. The IDB financing includes a US\$14 million loan for a 30-year term, with a 5.5-year grace period, at an adjustable interest rate, and a US\$6 million concessional loan from the IDB Fund for Special Operations, for a 40-year term and grace period, at a 0.25 per cent interest rate. Local counterpart funds will total US\$2 million. The Ministry of Public Works, Transportation and Housing will carry out the program.

Honduras will increase capacity of its Electric Power Grid (Source: IADB)



Honduras will increase the capacity of its electric power grid to supply local and regional markets and ensure sustainability to meet growing demands in the medium and long-term. The National Electric Energy Enterprise (ENEE) will carry out the program with an Inter-American Development Bank financing totalling US\$48.5 million to improve Honduras’ electricity system and more reliably and efficiently meet the energy demands of economic growth. The new financing builds on the IDB strategy to reduce Honduras’ vulnerability in electricity generation, improve transmission systems and significantly reduce technical and financial losses.



Dominican Republic

Impact of the US financial crisis on Dominican Republic

The DR is vulnerable because of the marked dependence of the local economy on the US. The US is the primary source of remittances, tourism, investments and exports which could be affected by the US financial crunch. The government should reduce its spending and give priority to local production. The US financial crisis comes at a time when the DR is affected by a fiscal deficit of the current account of the balance of payments and a decline in the Central Bank’s international net reserves. The country does not trade in stocks so it has not suffered from a stock market crash.

Aerodom buyout

Latin American Airport Holdings, a subsidiary of global private equity company Advent International, announced the purchase of the Aerodom airport operations company from the Hazoury Group, Vancouver Airport Services and other local investors on 9 September. The acquisition, funded with equity from Advent and debt financing from the Bank of Nova Scotia and ING Group, is the first leveraged buyout in the Dominican Republic. The concession in the DR covers several airports. Aerodom airports handled more than four million passengers in 2007, or about half of all airport passengers in the DR, according to the Advent release. Aerodom’s existing management and Vancouver Airport Services, its current operating partner, will continue to run the company. "Advent International has a long history of

investing in Latin America, particularly in the airport sector. Advent International is one of the most established and successful private equity investors in Latin America. Since it began operating in the region 12 years ago, the company has invested in 37 companies with a combined enterprise value exceeding US\$8 billion.

DR makes most of EPA

As arguments rage on about the EPA agreement between the EU and CARIFORUM, the DR is wasting no time in making the most of the trade pact. This week the country sent 12,048 metric tons of sugar to Europe and during October a second ship containing 20,373 metric tons of sugar worth US\$19.3 million will sail to Europe. Dominican Sugar Institute (INAZUCAR) president Faustino Jimenez says the shipment of sugar represents the first steps in a new relationship with Europe, adding that it is a turning point that will positively affect the Dominican sugar sector and the Dominican economy. There are expectations that the DR could double or triple its sugar exports to Europe in 2009 and 2010. The Caribbean has a 60,000-ton sugar quota to Europe, as part of the agreement, of which 30,000 tons correspond to the DR.



EVD country webpage

The EVD has 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. 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.or.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