



Regional Newsflash

July 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 sanjose@trade-minbuza.nl A separate newsletter is published for Panama.



Central-America region

Economies to contract throughout the region (Source: Efe) The world economic crisis may not pitch Latin America into another lost decade, as in the 1980s, but nor will this be a decade of boom, the United Nations Economic Commission for Latin America and the Caribbean said. In Central America, excluding Panama, the commission predicted that all the economies would suffer negative growth this year. Costa Rica's economy would decline by 3 percent, El Salvador 2 per cent and Nicaragua and Guatemala 1 percent each. The commission expects a mild recovery next year and does not expect to see financial problems emerge in the region.



UE agreement postponed until September (Source: prensalibre.com) Commerce authorities from El Salvador, Guatemala, Nicaragua and Costa Rica decided to resume negotiations in September. Guatemala's Economic Minister,

Rubén Morales, informed that if the Honduran political crisis is not resolved by September, they will propose resuming negotiations without the country, and letting Honduras rejoin later. The official added that, for the moment, the 4 countries will coordinate actions, to define negotiation topics regarding specific products.



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 America and SNV to organize a B2B Tomato & Dairy Trade Mission. The mission will also focus on social corporate responsibility and fair trade. 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

The Global Enabling Trade Report 2009 (Source: World Economic Forum) Costa Rica (43 in the world) rank at the top in Central America, followed by Panama (53), El Salvador (56), Guatemala (58), Nicaragua (77). Published for the second time and covering 121 economies worldwide, the Enabling Trade Index, featured in the report presented by the World Economic Forum, measures institutions, policies and services facilitating the free flow of goods over borders and to destination. The index breaks the enablers into four issue areas: market access, border administration, transport and communications infrastructure, and the business environment.

Regional trade down 21% (Source: Nacion.com) From January to May 2009, \$1.736 million were exported and imported within the region, down from the \$2.196 million registered in the same period of 2009. The global economic crisis was the main reason behind the fall in regional trade, as imports and exports to the rest of the world also decreased, with drops of 30% and 15% respectively. The drop in trade was one justification used by ministers from Guatemala, El Salvador, Nicaragua and Costa Rica, when opposing sanctions to Honduras. The ministers warned that political sanctions, such as isolation, will only impact commerce, job generation and areas affecting all five countries.

Leaders to seek \$1 billion Mesoamerica kick-start (Source: La República) The only



element that promises to make this week's meeting of the leaders countries that make up the Mesoamerica Project different from its predecessors is that one of their number has been overthrown. Otherwise, the summit in Costa Rica promises to be very much business as before for what used to be known as the Puebla-Panama Plan. Since its inception eight years ago, the project has remained a pipe-dream of good intentions. At this week's meeting, the leaders will try

to push forward a new initiative that aims to persuade Mexico, Central America and new member Colombia to collectively invest \$1.072 billion in public works to form a "Mesoamerican corridor".

Tourism up 5%

Central America received 11.1 million tourists last year, and tourism generated income of \$7.3 billion, 5 percent more than in 2008, the Central American Secretariat for the Integration of Tourism (Sitca) reported. Panama was the leading earner with \$2.22 billion, followed by Costa Rica with \$2.16 billion, Guatemala \$1.28 billion, El Salvador \$734 million and Nicaragua \$276 million. Costa Rica received the largest number of tourists, 2.3 million, followed by El Salvador with 1.8 million, Guatemala 1.7 million, Panama 1.6 million, Honduras 1.5 million and Nicaragua 1.1 million.

Regional maritime routes project (Source: Prensa.com) Developing the region's short distance cargo and passenger sea travel could lower costs and favor agricultural exports. Central America's short distance maritime transport project is advancing. Feasibility studies have determined that with little investment, the 49 ports located in Central America and Mexico, "could be adapted for short distance passenger and cargo transportation, as it is done in Europe". Carlos González De La Lastra is the honorific president of the Central American Commission on Maritime Transportation, and one of the founders of this project. González stated that there is preliminary progress, but studies must be done on routes, cargo flows, ports and law framework in Mesoamerica. The Interamerican Development Bank has shown interest in the project, and has committed a one million dollar non reimbursable loan for the realization of the studies.

\$33 million for housing in the region (Source: elsalvador.com) BCIE has \$33 million available for long term housing financing in Central America. These funds, administered by the Central American Bank for Economic Integration, also known as BCIE, were provided by the Mexican Government, through the Mesoamérica Project. From the \$33 million, \$32.376.000 can be used for granting guarantees and micro financing, and the remaining \$250.000 for technical assistance. At first, in the short term, BCIE can lend for 50.000 housing units, but 40.000 of these must be social housing projects.



Colombian electric company looking to invest in C.A. (Source: laprensagrafica.com) The Colombian company Isagen would invest in El Salvador, Guatemala and Panama. Isagen sees a potential market in these countries because of the high growth in energy demand. The mixed state-private capital company is betting on energy generation and commercialization. Armando Gómez, internationalization manager of the company, stated: "We are studying new ventures abroad, and we have identified hydroelectric generation projects as feasible. However we are also considering alternatives like thermoelectric generation, but that will depend on the availability of fuels."



Bancolombia aims to build multi-million war-chest for Central American acquisitions (Source: Bloomberg) Bancolombia, Colombia's biggest lender, may sell more bonds this year to finance expansion in Central America and boost capital for loan growth as the economy recovers. The sale may be bigger than the company's July 9 issue of \$255.8 million. The financing would help the Medellin-based lender take advantage of improved market conditions for commercial loans and provide money for acquisitions in Central America as the company seeks to position itself as a regional bank.



Vedanta eyes Central America in bid to invest \$2 billion on mining assets (Source: Commodity Online) In a bid to reap advantage from the recession, India's Vedanta Resources has decided to buy copper and iron ore assets in Africa and Central America. According to Vedanta chairman Anil Agarwal the mining major will be looking at making investment worth over \$2 billion in buying copper and iron ore assets.

Region's wireless growth outstrips rest of world (Source: Latin Business Chronicle) Central America's wireless sector is booming. Four Central American countries are among the top ten growing markets in Latin America in percentage terms, while two are among those that are growing most in real terms. Last year Central America reached a total of 33 million

wireless subscriptions, an increase of 27.8 percent. By comparison, Latin America as a whole grew by 20.1 percent and worldwide growth was 18.8 percent, according to a Latin Business Chronicle analysis of new data from the International Telecommunications Union. In real terms, Central America added 7.2 million new wireless subscriptions, and the potential for future growth is strong.

Free trade makes Central Americans fat, science researchers claim Since trade liberalization between Central and North America, imports and availability of processed, high-fat and high-sugar foods have increased dramatically. Researchers writing in BioMed Central's open access journal Globalization and Health link this influx of American junk food to a "nutrition transition", with a growing burden of diet-related chronic disease. Rates of obesity and chronic diseases such as cardiovascular disease and cancer are rising throughout the region, the researchers said.



Costa Rica

Recope will invest in own refinery with or without China (Source: Nacion.com) Costa Rica's state-owned petroleum company, Recope, will upgrade its Moín refinery whether or not the project with China is approved. With cooperation from the Government of Canada, Canadian companies will diagnose the state of Moín Refinery, to define which upgrades should be done, and how much should be invested. "Through a joint venture with China, Recope expects to build a facility with capacity for 60,000 barrels a day. This project would take 5 years. Upgrades to Moín must be made even if the China plan works out; while the new refinery is built, upgrades must be done to the one in use now," commented Luis Carlos Solera, chief of economic studies at Recope. The last valuation of the modernization and expansion project to the current refinery was conducted in 2008, and stated a cost of \$425 million. **The Embassy sees opportunities for Dutch companies in the following areas:**

- Consulting engineers
- Construction companies
- Equipment suppliers
- Environmental analysts
- Environmental and administrative lawyers



Bids to be invited soon on \$345 million commuter rail plan for San José (Source: La República) Bids are soon to be invited for an electric passenger train to cover the metropolitan area of San José, Costa Rica. If all goes according to plan, details of the tender will be published by the end of August. Investment in the project is estimated at \$345 million, of which the state will have to put up \$100 million, according to a feasibility study by the Brazilian firm Engevix Engenharia. **The Embassy sees opportunities for Dutch companies in the following areas:**

- Consulting engineers
- Construction companies
- Equipment suppliers
- Environmental analysts
- Architects
- Electric equipment suppliers
- Lawyers and accountants

- Public relations

Costa Rica plans tender for construction of \$100 million medical tower (Source: La República) A new medical tower at Costa Rica's Calderón Guardia will require a \$100 million investment. The tower will have 17,500 square meters of floor space and all the latest technology. Bids for construction of the tower are likely to be invited early next year. Construction is expected to take five years.

Costa Rica to hike taxes on casinos and bookmakers (Source: La República) Gambling and Internet betting are to be regulated in Costa Rica under a system that combines law enforcement with the promotion of tourism and fiscal measures. A regulator composed of officials from various government offices is to be set up under a bill shortly to be presented to Congress. Gambling in Costa Rica is estimated to have an annual turnover of some \$14.5 billion. The proposal includes a new 2 percent tax on gross earnings that should generate about \$85 million a year.

Spain's Riu chain to build \$150 million hotel in Guanacaste (Source: La Nación) Spanish chain Riu will open its first Costa Rican hotel in November. The company plans to complete basic construction next month. The 701-room hotel is being built in a 380-hectare estate in Guanacaste province. \$150 million is being invested in the Hotel Riu, and the group is planning at least one other establishment.

Free port grows in Costa Rica (Source: Nacion.com) El Coyol business park has received \$100 million in investment in its first two years. Two U.S. companies from the medical devices segment, St. Jude Medical and Moog, are building their production facilities in El Coyol Free Port in Costa Rica. St. Jude is investing \$40 million in the first stage of its project, which covers 20,000 square meters. The company, which makes cardiology equipment, aims to construct two more buildings in a further 80,000 square meters. Moog, whose 6,000 square-meter facility is almost complete, invested \$3.5 million. These companies join other four factories already operating in the park. Since its inauguration in April 2007, 60,000 square meters have been occupied from 400,000 available, and 600 jobs have been created, while 2,000 positions would be added for 2010. Carlos Wong, El Coyol Free Port manager, reported that even though a large number of companies visit the place with the intention of establishing there, the crisis is delaying the decision. The time frame for taking these decisions is longer now, because of the limitations of the financial markets. Where it used to take 18 months, it now takes 24.



Environmental consultants named for Costa Rica El Diquis hydroelectric project (Source: Hydro Review) The Inter-American Development Bank has named a US-Canadian consortium to perform an environmental impact study for the 630- megawatt El Diquis hydroelectric project, proposed for Costa Rica's General Superior River.

The bank awarded a \$1 million contract to a consortium of the Louis Berger Group and Kohn Crippen Berger, which was chosen from among five bidders for the work. Formerly called the Boruca-Veraguas project, El Diquis has been studied by government utility the Costa Rican Electricity Institute for many years.



Intel reverses the downturn with \$449 million exports (Source: La Nacion) Boosted by resurgent demand for chips from computer manufacturers in the United States and Asia, Intel Costa Rica recorded

\$449 million in exports during the second quarter, an increase of 8 percent on the same period of last year. The increase followed four quarters of falling exports amid the world recession. Now Intel is forecasting a 5 percent increase in exports from its chip plant in Costa Rica this year, bringing the annual total to \$1.9 billion.

Some sectors perform strongly despite the crisis (Source: Nacion.com) Exports of some products increased despite the crisis: meat, melon, fruit purée, fruit concentrates, fruit juices and medical devices. Even though Costa Rican exports diminished 14.2% in the first semester of 2009 when compared to the same period of the same year, some sectors of the economy remained stable, and some even registered increases. According to the exports report by the Costa Rican Trade Promotion Agency (Procomer): "Melon shipments increased 11%, and fruit juices and concentrates 14.2%. Meat exports increased 12%, fruit purée 7% and medical infusion devices, medicines and medical devices exports increased 8%, 4% and 6% respectively".

Costa Rican mango exports up 36% (Source: elfinancierocr.com) \$6 million were exported in the first half of the year, some 4.5 million kilograms more than the same period of 2008. In the 2009 mango season, 86% of the exports went to Europe and the remaining 13% to the United States. "Despite the phytosanitary barriers, the fruit complies with sanitary requirements, and there hasn't been any interception nor fumigation at ports of entry", commented Magda González, spokesperson from the State's Phytosanitary Service, in an article in Nacion.com. "Mango complies with all innocuousness requirements", she said.

Air Comet relaunches service between Spain and Costa Rica after eight-month gap (Source: Inside Costa Rica) The Spanish airliner, Air comet, is back in Costa Rica after an eight month hiatus with three flights daily between Madrid and San José. The airline will fly Mondays, Wednesdays and Saturdays, using its Airbus 330 and A340. Air Comet cancelled its Costa Rican operations last September due to rising fuel costs.

Praxair to export from Costa Rica to Panama and Nicaragua from next month (Source: La Nación) Praxair, the US company that makes gases for industrial and medical purposes is going to export nitrogen, oxygen and argon from Costa Rica to Panama and Nicaragua beginning next month. The exports will come from a new plant whose construction is almost complete in the Propark free zone of Alajuela. Praxair arrived in Costa Rica in 1996, when it acquired Liquid Carbonic. The new plant will be its fifth in the country.

Costa Rica finds rapidly growing market for its bananas in Russia (Source: La República) Faced by restrictions on exports to the European Union, and depressed sales in the United States, Costa Rica's banana industry is increasingly looking to Russia for exports. Bonanza Fruit, a Costa Rican subsidiary of Russia's JFC Group, has opened the doors to a previously non-existent market. In 2007, Costa Rica sold only 43 metric tons of bananas to Russia: last year the figure rose to 76,000 metric tons.

35.000 hectares of coffee plantations to be renewed (Source: Nacion.com) Costa Rica's National Coffee Plantation Renewal Plan would start with 35.000 hectares and a \$4 million investment. Approximately 40% of coffee plantations in Costa Rica are more than 20 years old, which diminishes its productivity. Renewing 35.000 hectares means replacing some 17 million plants, project that will take 10 years. For the plant renovation, the Coffee Institute of Costa Rica, known as Icafé, and the Agriculture Ministry would contribute \$4 million. These

funds "are expected to reduce the interest rate for loans in 4 percentage points for the first three years of the loan", said Ronald Peters, Icafé Executive Director.

Open market will double the number of jobs in Costa Rican telecommunications (Source: La Nación) The removal of the Costa Rican state monopoly over telecommunications will double the number of jobs in the sector over the next five years. The business, which has been dominated by the Costa Rican Electricity Institute for 45 years, currently employs about 15,000 workers. Once new operators enter the market, the number of jobs is expected to grow to 30,000. If all goes well, Costa Rica will have more than one cellular provider as early as May or June next year, according to George Miley, president of the telecommunications regulator, Sutel. Following the abolition of the monopoly of the state-owned Costa Rican Electricity Commission (ICE), one of the items of concern are the rates. ICE now offers a base monthly rate of \$5 that includes 60 minutes of calling time. The question before the Sutel is whether the competitive rate will be equal to, higher or lower than the ICE rate today.

Shortage of qualified labor in Costa Rica (Source: prensalibre.co.cr) 48% of employers cannot meet their skilled labor needs, said a Manpower survey. According to the survey, Peru (56%), Costa Rica (48%) and Mexico (44%), are the countries where employers find it hardest to meet skilled jobs needs, whereas employers in the U.S. (19%), Guatemala (20%) and Canada (24%) reported the least problems. 12,300 employers from the continent participated in the study, and they indicated that the most difficult positions to hire for are technicians, production operators and accounting and finance personnel.



Guatemala

Remittances to Guatemala drop by 9.6 percent to \$1.94 billion in first six months (Source: El Periódico) Remittances sent home by

Guatemala's emigrants were \$348.6 million in June, the highest of any month since October. Even so, remittances were 9.3 percent down on June of last year. During the first six months of 2009 remittances to Guatemala totalled \$1.94 billion, a 9.6 percent drop on the same period of last year.

Duke Energy takes on \$45 million San Cristóbal hydroelectric project (Source: Prensa Libre) Duke Energy of the United States is to invest \$45 million in the San Cristóbal hydroelectric scheme in Alta Verapaz, Guatemala. The project was originally adjudicated to Inver Energy, but Duke took over Inver some months ago. Work was programmed to begin in March, but it will now begin at the end of the year because of delays caused by the acquisition. San Cristóbal is due to come on stream in the first half of 2012. Power is rated at 21 megawatts.

Australians and Canadians in joint venture for nickel prospects in Guatemala. Australian exploration company Graynic Metals has completed a joint-venture agreement with private Canadian company Nichromet Extraction, for a portfolio of advanced nickel laterite exploration projects, in Guatemala. Graynic could earn a 50 percent interest in the project though funding exploration of up to \$2.4 million, within 36 months. The company could elect to spend a further \$4 million to earn an additional 25 percent interest. The joint venture provided Graynic with the largest nickel laterite tenure in Guatemala.

Guatemala produces almost half of all Central America's cane-based ethanol (Source: Ethanol Producer Magazine) Latin American countries are ramping up ethanol production although many people in countries outside of Brazil are not aware of ethanol as a fuel. In Central America, Guatemala is the number one producer of high-yield sugarcane and produces over 44 percent of Central America's sugarcane-based ethanol. Most of Guatemala's ethanol is exported to the US and Europe, and production is set to grow substantially this year.

24/7 Customer aims to hire 500 more staff for Guatemalan call centers (Source: Prensa Libre) India-based call-center company 24/7 Customer has launched a recruitment day as the first stage of a plan to hire 500 more staff for its Guatemalan operations by September. The company aims to double its operations in Guatemala over the next 12 months. Already, 24/7 Customer has 900 staff in two Guatemalan call centers that handle about one million transactions a month.

\$16.3 million in loans for small firms in Guatemala (Source: La Prensa Libre) The Central American Bank for Economic Integration granted Guatemala a \$16.3 million credit line for small businesses. The loans are to be made through the Banrural development bank to sectors such as transport, ecotourism, agro-industry and housing. Placement of the loans is to begin on Monday. Interest will be charged at about 12 percent for loans of three to five years.

Guatemala to build a regional airport (Source: Guatemala.gob.gt) Located in the Esquipulas municipality, in the department of Chiquimula, the airport will serve 60 to 80 passenger planes. Construction of the first stage will be funded with \$2 million provided by the Council of Departmental Development, entity responsible for authorizing the project. Works will start once the air transport authority finishes pending studies. The project at first was to be located in the capital of the department, but has been moved to Esquipulas, because it has a 1.350 meter field, and is located in a strategic joint between Guatemala, Honduras and El Salvador, over the Interamericana Highway, informed Carlos Moscoso, Governor of Chiquimula and president of Codede.

Fitch Ratings foresees recession in Guatemala. Fitch Ratings expects Guatemalan economy to suffer a slight recession due to weakening of the political and economic environment. Even though Guatemala has strengths such as macroeconomic stability, low public and foreign debt and international reserves, Fitch warns that the slowdown in tax collection, weak governance and a high poverty and inequality rate are factors that place the country's qualifications at risk. Fitch also pointed out that despite a drop in remittances, exports and capital flows, the government's fiscal policies to incentivise the economy have not reached expectations. They also showed concern for the political crisis generated by the Rosenberg Case, a slain lawyer who accused president Colom of his murder in a video recorded before his death. This case could have a strong impact on the legislative agenda and the president's popularity if his policies continue to fail in controlling criminality and corruption, according to Fitch.

Guatemala among the 25 most inexpensive countries in the world. According to a study developed by the human resources company Mercer, after analyzing 143 countries around the world, Guatemala is placed among the 25 most inexpensive ones. Guatemala went from the 122 position last year to 119 in 2009. This shows a slight increase on living wages, especially housing, transport, food and clothing. The study shows that Tokyo is the most expensive city in the world and Johannesburg the most inexpensive one.

Guatemalan foreign debt reaches US\$4,796 million. Guatemala's foreign debt, up to June 2009, reached US\$4,796 million, payable to cooperation agencies, banks and international organizations. According to the Ministry of Finance, US\$1,792.9 million are payable to the Interamerican Development Bank, US\$167.9 million to Japan's Bank of International Cooperation and US\$82 million to Kreditanstalt Wiederaufbau of Germany, among others. During President Alvaro Colom's term a debt of US\$1,486 million in new loans has been attained.

Personnel discharges on local industry to the rise. A survey carried out by the Guatemalan Chamber of Industry revealed that 52% of companies have discharged personnel during the last six months, as opposed to only 15% who have hired new employees. 85% of interviewed companies stated that their biggest challenge was facing the slow down in economic activity. According to 67% of companies the economic crisis has gotten worse in the last six months, 66% believe that growth will continue to fall during the next six months as opposed to 9% who considered it will grow. Short term perspectives are pessimist and only 17% of companies expect to hire new employees.



Nicaragua

Taiwanese president in Nicaragua to boost ties (Source: hostednews)

Taiwanese President Ma Ying-jeou arrived in Nicaragua on July 3, for a two-day official visit aimed at boosting ties with one of the poorest nations in Central America. A free trade agreement between Managua and Taipei that became effective in January 2008 has helped increase bilateral trade and "we now want this relationship to grow further," the Taiwanese leader said earlier. Trade between both countries last year reached 53.4 million dollars, according to figures from the Taiwanese embassy in Managua.

Top Russian official visits Nicaragua to boost oil exploration and trade (Source: Novosti) Russian Deputy Prime Minister Igor Sechin continues his Latin American tour today with his third visit to Nicaragua in the past 12 months. Sechin is expected to discuss joint projects in electricity generation, increasing bilateral trade, and oil exploration in the Atlantic and Pacific oceans with the country's leftist president, Daniel Ortega, Russia's ambassador to Managua said. "In Nicaragua there are very good prospects for prospecting and extracting oil on the Atlantic and Pacific shelves," the ambassador added.

Canada's Norwood plans to restart Nicaragua oil exploration this fall (Source: Upstreamonline.com) Canada's Norwood Resources Limited has confirmed financing that will let it start oil exploration operations within the next few months in Nicaragua's San Bartolo region, 50 kilometers west of Managua. Preliminary perforations show the presence of hydrocarbon resources in the area, including both oil and natural gas. If test wells fulfill expectations, the company plans to go into commercial production before the end of 2009. Norwood is the successor company to a concession for exploration and development originally granted by Nicaragua's Ministry of Mines and Energy to Industrias Oklahoma Nicaragua SA (Indoklanicsa). **The Embassy sees opportunities for Dutch companies in the following areas:**

- Engineering consultants
- Environmental engineers

- Technical specialists

Brazilian company will build hydroelectric plant in Nicaragua in 2010 (Source:



Ita.reuters.com) Brazilian group Queiroz Galvao next year will begin the construction of a US\$600 million hydroelectric project in Nicaragua's southern Caribbean coast. The project will be developed jointly with Brazilian publicly-owned electrical company Electrobras, and is expected to generate up to 200 MW once the plant is fully operational.

Debtors must pay, Ortega tells farmers as he opens new state development bank (Source: Bloomberg) President Daniel Ortega of Nicaragua said the country's new state development bank won't forgive debts to poor farmers as the Sandinista government did in the 1980's. "We can't repeat debt forgiveness," Ortega said while swearing in the board of directors of Banco Produzcamos. "We can't have debtors not paying again." Ortega said his Sandinista party has pushed for the bank, which will have \$57 million to provide low-interest loans to poor farmers.

Nicaraguan dairy products facing problems in El Salvador (Source: elnuevodiario.com.ni) Last week, El Salvador canceled import permits for Nicaraguan dairy products. Such measures are costing the sector daily losses of \$250,000, according to 10 milk companies from the Central zone of Nicaragua. From Nicaraguan newspaper El Nuevo Diario: "Each day, these companies gather 700 thousand liters of milk and process 218,750 pounds of cheese, production they cannot send to El Salvador, because permits have been cancellation by the country's agricultural ministry."

Tourism law generates \$51 million investments (Source: laprensa.com.ni) Nicaragua is attracting more tourists and more investment in tourism this year. This year through May, tourism earned the country \$151.8 million, 34 percent more than in the same period last year. Between January and May, tourism investment in Nicaragua was 5 times higher than the same period of 2008. Attracted by the benefits obtained through Law 306, also known as Stimulus Law for the Tourism Industry, 10 new projects were approved so far in 2009, 6 of them are hotels that represented \$51 million. In the same period last year, 16 projects were approved for a total of \$10 million.

World Bank ranks ProNicaragua among the best investment promotion agencies in the world (Source: /www.i-newswire.com) ProNicaragua, the official investment promotion agency of Nicaragua was recently ranked as one of the best agencies of its kind by the 2009 Global Investment Promotion Benchmarking (GIPB) conducted by the Foreign Investment Advisory Service (FIAS) of the World Bank. The study was carried out between March and September of 2008 and included 213 investment promotion intermediaries (IPI) from 181 countries and 32 sub national regions.

Nicaragua: ideal BPO destination (Source: callcenterinfo.tmcnet.com) Nicaragua is fast emerging as a successful near-shore location for contact centers, especially teleservices firms that provide a full array of business process outsourcing services. The country has a large and available workforce. It has approximately 5.9 million inhabitants and while the unemployment rate is 3.9 per cent, its underemployment level is over 45 percent, reports the CIA Factbook: one of the highest in the region. Nicaragua is in the central time zone, enabling easier integrated contact handling with other North American contact centers and offices.



Shortcomings in \$12 million terminal could lead Japan to rethink aid to Nicaragua (Source: La Prensa) Poor administration of a Nicaraguan fishing terminal donated by Japan could lead to the Japanese government reducing its aid or cutting it altogether. The terminal was officially completed in 2007 at a cost of \$12 million. It represents one of Japan's largest donations in Central America.

However, the only services the terminal currently offers to fishermen is the sale at subsidized prices of ice and water. Under the original terms of the project it should be offering moorings, storage and infrastructure for trade in seafood.



El Salvador



El Salvador seeking new Trade Agreements (Source: laprensagrafica.com) One of the government's goals in commercial policy is to sign free trade agreements with Brazil,

Venezuela, Cuba and the Caribbean. Besides exploring new markets, El Salvador's new commercial policy aims to increase trade with the Central American region, the country's main export destination. Among the places they intend to explore commercially is Cuba, with whom El Salvador didn't had diplomatic relations until this year. There is also Brazil, a destination that has been considered for a long time. Some Salvadoran companies already have joint ventures with the Cuban government. Brazil's main investments in El Salvador include the Petenatti thread factory and a plant that exports ethanol to the US and Europe. Also Venezuela, who has shown interest in our agricultural products.

January-June remittances to El Salvador fall 10.3 percent to \$1.74 billion (Source: Latin American Herald Tribune) Remittances sent home by Salvadorans living abroad fell by 10.3 percent in the first half of the year. A total of \$1.74 billion was transferred between January and June, while in the first half of 2008 remittances amounted to \$1.94 billion. Remittances are El Salvador's second-largest source of revenue and in recent years have accounted for up to 17 percent of gross domestic product.



Puerto La Unión starts operations (Source: elsalvador.com) El Salvador's government has opted to open the port of La Unión and run it itself while parliamentarians continue to squabble over the terms of a concession. President Mauricio Funes said La Unión will replace the port of Acajutla while it is closed temporarily for updating and refurbishment. La Unión was built at a cost of some \$180 million during the previous administration, when Antonio Saca was president. But the port has remained non-operational because of an impasse in the Legislative Assembly regarding the port concession and how much of the port should remain in government hands.

Tenders presented for rural electrification (Source: laprensagrafica.com) Bids are being received for the third phase of the Rural Electrification program, comprising 500 photovoltaic systems. 10 companies have complied with Fomilenio requirements; most are of Salvadoran capital, one is Guatemalan and the other is from the U.S. Even though 80 companies were initially interested in the project, only 10 complied with the requirements. Out of these 10, the project developer will be selected.

Tigo invested \$210 million in El Salvador (Source: elsalvador.com) In the last 10 months, the telecommunications company has invested in improving its technological platform for Internet access. For Tigo, subsidiary of Millicom, its biggest bet has been its fusion with Amnet, announced in May 2009. Globally, the company has invested \$510 million, out of which \$210 million were in El Salvador. In Internet access, Tigo foresees a considerable increase, surpassing what happened in the last years. With these projections, Tigo expects growth of 20% in subscriptions. For 2010, year when the economy is expected to turn around, growth will be even bigger, said Tigo's Marketing Director, Danny Sala.



TACA offers all-inclusive packages to boost tourism (Source: Elsalvador.com) The El Salvador-based regional airline TACA has launched all-inclusive vacation packages. TACA Vacaciones, as the program is called, was devised as a means of motivating people to go on vacation by offering low costs and plenty of add-ons. Wholesalers will design the packages. The strategy is aimed at promoting travel within Central America. Packages are being made available in all the countries of the region except Panama.

El Salvador's Lactosa enlarges market (Source: elsalvador.com) The company expects to widen the market for its dairy products next year, by exporting to Mexico and the Caribbean. Vilma de Calderón, CEO of Lactosa, indicates that the company currently produces for the domestic market and exports to Guatemala, Honduras and Nicaragua, where it has subsidiaries. The company has started a research process on exporting to Caribbean markets, from Dominican Republic to Barbados.



Honduras

Foreign investment in Honduras down sharply to \$172 million in first half (Source: El Heraldo) Preliminary figures show that foreign direct investment in Honduras dropped substantially in the first half of 2009. From January through June, the central bank reported that foreign direct investment totaled \$172 million, down from \$469 million in the same period of last year. In its 2009-2010 monetary program, the bank had forecast that foreign direct investment would come of \$673 million this year.

Digicel spurs Ireland to second place in foreign direct investment in Honduras (Source: El Heraldo) Statistics for foreign direct investment in Honduras during 2008 included a historic achievement: for the first time, Ireland ranks in second place. Thanks to Dublin-based wireless operator's launch late last year, Ireland recorded \$214.1 million, a figure that only the United States surpassed, with \$397.9 million. For the sixth successive year, cellular telephony was the main source of foreign direct investment. Tigo, Claro and Digicel made major investments in expanding and introducing third-generation technology.

Honduras expects earnings from coffee to drop by \$100 million this year (Source: El Heraldo) The Honduran Coffee Institute, Ihcafé, has lowered its forecast for exports. The original estimate of 4.7 million 46-kilogram bags for the 2008-2009 season has been cut to between 4.2 and 4.3 million. In cash terms, the institute hopes that Honduras will earn about \$490 million from coffee exports. Last season it exported 4.4 million bags that earned \$594.4 million.



Dominican Republic

Government invest in medical sector

President Leonel Fernandez has sent several requests for government loans to Congress. The funds would be invested in the Ciudad de la Salud, a no-bid contract for the construction and equipping several public hospitals entrusted to Carimex LLC and the Supervisory Office of Public Works. Deutsche Bank of Spain would be the lender for the US\$111.2 million and US\$14.5 million for the pediatric, maternity and general hospitals located in the Ciudad de la Salud. An additional loan of US\$79.6 million and another for US\$10.4 million would be used for equipping hospitals in Higüey and Monte Cristi and 18 other primary health centers.

Dominican dams need to be dredged

Dam Engineer Gilberto Reynoso is warning about the lack of maintenance that is shortening the capacity of the nation's dams to store water for hydroelectric use. He said that for instance, Aguacate Dam is out of service because of an excess of sediment. It has not operated since Tropical Storm Olga hit the region in December 2007, and Jigüey should follow suit, as it is now operating precariously. The most recent study on the situation of the dams was carried out in 1992. The increasing sedimentation obliges waters to be released prematurely from the dams.

Government buys back power distribution company

To buy back the power distribution company, Ede-Este, the Fernandez administration took on US\$180.7 million in debt - US\$157 to generators and US\$23.7 million to suppliers. The deal also involved a US\$26.5 million disbursement to Trust Capital of the West (TCW) for their 50% private participation in the power distribution company that handled a third of billings in the country. This brings the buy-back cost to US\$207.2 million. With the purchase of Ede-Este, the Fernandez government is now the sole proprietor of distribution companies in the DR.



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.

www.handelswijzer.com , www.doingtradeincentralamerica.com or www.centralamericab2b.com . For more information you can contact our commercial department at the Dutch Embassy in San José thru email sanjose@trade-minbuza.nl 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; gua-ez@minbuza.nl or by telephone (00502) 2381 4300 (Harman Idema, Susana Azurdia). More information on website: www.mfa.nl/gua

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