

Embassies of the Kingdom of the Netherlands

Costa Rica, Guatemala, Nicaragua, El Salvador, Honduras and Dominican Republic

The regional newsflash is a publication composed by the Embassies of the Kingdom of the Netherlands in Costa Rica, Guatemala, Nicaragua and Dominican Republic. The newsflash provides an update in terms of imperative economical developments, the most important tenders and a selection of other relevant business news 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.



TRADEPLATFORM:

In 2009 the Departments of Commerce of the Dutch Embassies Guatemala-City, Managua and San Jose developed a trade platform. This Business to Business (B2B) tool helps Central American and Dutch companies find each with the aim of exchanging information and doing business. On the website www.doingtradeincentralamerica.com different information sources for Dutch companies interested in doing trade with Central American companies are grouped together. The Embassy of the Netherlands has launched the trade platform on the 1st of November and can be found on the website www.centralamericab2b.com. This service is provided free of charge. The advantages of this trade platform include the possibility to advertise your company for free, publish your trade leads, search for potential contacts or partners in the different countries and sectors and contact companies you would be interested in. Additionally, events that could be potentially interesting to Dutch or Central American companies will be published on this platform. To maximize the accessibility of all parties, the website is in English. Furthermore, a short manual will be provided to make the usage of the website as easy as possible.

To benefit from all these services, please register your company on http://www.centralamericab2b.com/index.php?option=com_comprofiler&task=registers.

Central American region



Latin America to grow 4.1% in 2010 (Source: Economic Commission for Latin American and Caribbean) Economic recovery from the international crisis in Latin America and the Caribbean will be quicker than expected a few months ago. In its annual report Preliminary Overview of the Economies of Latin America and the Caribbean 2009, the regional

commission of the United Nations projects positive growth rates for most countries, but explains that there is still doubts about whether this recovery will be sustainable over time, given that the external scenario continues uncertain, which may affect growth expectations in the region. The most notable recovery will take place in South America and Central America (with the exception of Mexico), which next year will have growth rates of 4.7% and 3.0%, respectively. Economic growth in the Caribbean is expected to be lower (1.8%). According to ECLAC, Brazil will top the list of countries with higher growth in 2010, with expansion estimated at 5.5%, followed by Peru and Uruguay (5%), Bolivia, Chile and Panama (4.5%) and Argentina and Surinam (4%). Mexico, Costa Rica and the Dominican Republic will grow 3.5%.

	2007	2008	2009	2010
Panama	11.2	9.2	2.5	4.5
Costa Rica	7.8	2.6	-1.2	3.5
Guatemala	6.3	4.0	-1.0	2.0
Nicaragua	3.2	3.2	-1.5	2.0
El Salvador	4.7	2.5	-2.5	2.0
Honduras	6.3	4.0	-3.0	1.5
Dominican Republic	8.5	5.3	2.5	3.5
Latin America and the Caribbean	5.8	4.1	-1.8	4.1

Overcoming the external turbulence has been swifter in the region thanks to a set of counter-cyclical policies that were implemented, like reducing interest rates, increasing State-owned bank loans, expanding public expenditure and implementing a broad array of social

programs, such as consumer subsidies and support for low-income households. Full report, see: www.eclac.org/cqi-bin/getProd.asp



CABEI to loan \$1 billion to Central America (Source: EPA) In 2010, the Central American Bank for Economic Integration (CABEI), will lend \$1.038 million for development projects. \$370.8 million are earmarked for Costa Rica, \$199.8 million for El Salvador, \$173.2 million for Guatemala and \$114.9 million for Nicaragua. As for Honduras, Alfredo Ortuño, CABEI's director, explained that "...disbursements are on hold until the Central American Integration System (SICA) revokes a ruling enacted after the Honduran coup d'état. Nevertheless, the bank has earmarked \$123.6 million to finance projects in the country".

Insurers sector posted growth in 2009 (Source: martesfinanciero.com) The insurance industry kept on growing, albeit at a slower pace, in spite of economic and financial crisis. In 2008 this industry sold 17% more insurance than in 2007, summing over \$3 billion sales. It slowed considerably in 2009, but managed to maintain positive growth numbers. In order to achieve this, insurers had to resort to diverse measures, such as strategic alliances, brand changes, better prices and more services.



Banana dispute comes to an end (Source: EPA) Latin American banana growing countries landed a tariff agreement with the European Union. Under the terms of the new agreement, the tariff will be immediately reduced from 176 euro's per ton to 148 euro's. In the next 10 years it must be gradually reduced to 114 euro's. It is not yet known what compensation will be paid by the European Union to Asian, Caribbean and Pacific countries, who had requested \$250 million for losing their preferences.



EU requests to resume negotiations with C.A. (Source: Elmundo.es) The European Union has requested Central America to resume negotiations for an Association Agreement. While gathering at Brussels, EU's foreign relationships ministers remarked the council's intention of concluding the negotiation process for an association agreement with Central America. When the negotiations

where suspended, both parts were confident on closing them soon, as over 90% of the agreement's text had already been accepted, with the exception of some commercial issues.

Tax reforms in Central America (Source: Infolatam) 2010 will be a difficult year for the region's Treasuries, and tax reforms will be one of the weapons used by governments to fight this crisis. Nicaragua has recently passed a highly controversial fiscal reform. Panama approved tax hikes for companies in the Colón Free Zone, as well as tobacco, casinos and insurance companies. In Guatemala the government proposed a tax reform to increase the tax burden, which includes raising income tax from 5% to 6% and taxing mobile communications. The Salvadoran government intends to raise taxes to alcoholic beverages, tobacco, weapons and ammunition, as well as vehicle registration and commissions at insurance companies. In Costa Rica and Honduras there are still no concrete reform projects, but new administrations will take office in early 2010, facing fiscal deficits which will be hard to solve only by issuing more debt.

Region's climate-change tab could reach \$103 billion (Source: La Tribuna) Central America is responsible for only 0.5 percent of the world's harmful emissions, but it faces major economic, social and environmental losses from climate change. A study coordinated by the UN's Economic Commission for Latin America and the Caribbean estimates that the impact on the region through 2100 will total \$103 billion. The study says the Central American countries are highly exposed to variations in rainfall and to severe storms, problems that expected to worsen in the coming decades. The poverty of many of the region's inhabitants will make matters worse.

Intra-Regional trade down 16.8% (Source: prensalibre.com) From January up to September, trade between Central American countries summed \$8.01 billion, 16.8% less than the same period of 2008. According to data from Sieca, the Central American Economic Integration Secretary, intra-regional trade summed \$9.63 billion between January and September 2008. Luis Godoy, executive director of the Guatemalan Exporters Association, attributed the reduction to the U.S. recession, a drop in remittances, and fewer construction projects in the region. Another negative factor was the Honduran political crisis.

Mapfre confirms association with Aseguradora Mundial (Source: Prensa.com) The resulting society will merge Mapfre's operations in El Salvador and Mundial's branches in Costa Rica, Nicaragua, Honduras and Guatemala. This transaction is estimated in \$210 million for 65% of the resulting society's equity. Mapfre has the option to buy the remaining 35% in 2011. This new company will be Central America's largest, with \$223 million insurance contracts and \$153 million equity. It will have a larger presence in El Salvador and Panama.



Wal-Mart Mexico acquires Wal-Mart Central America (Source: americaeconomia.com) For this transaction, Walmex will pay \$110 million in cash and issue stock for \$593 million. Wal-Mart Central America is owned by Wal-Mart Stores Inc. (51%) and minority shareholders (49%). It operates 519 stores, 11 distribution centers, and agri-industrial operations in 5 countries (Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica). Wal-Mart Mexico (Walmex), "... will make subsequent cash and stock payments. It proposes issuing 55 million shares, to be distributed to the current shareholders of the Central American company if certain profitability levels are met".

Aero República will fly to Central America (Source: elfinancierocr.com) The Colombian carrier, owned by Copa Holdings S.A., announced its intention to fly to all of Central America. It currently operates mostly in Colombia, with flights to Venezuela and Panama. Lupita Arenas Caicedo, regional sales director "announced its intention of flying to Costa Rica and

the rest of the Central American countries". Arenas explained they are executing a plan to promote the airline in Costa Rica, especially within the corporate sector.

Costa Rica



Costa Rica and Canada to broaden FTA (Source: laprensagrafica.com) Both countries will study broadening their FTA to include telecommunications and insurance. The Free Trade Agreement (FTA) signed in 2002 didn't foresee the opening of the telecom and insurance markets in Costa Rica. Michaëlle Jean, Canada's General Governor, remarked that "both countries will also study the possibility of establishing direct flights, as a way to foster the arrival of Canadian tourists to Costa Rica. The 10.000 Canadians who visit the country each year must make aerial connections through other countries...".



Minister Ruiz.

New round in Costa Rica - China FTA (Source: elsalvador.com) Six negotiation rounds have already taken place, and the last one has been scheduled for February 2010. Marco Vinicio Ruiz, Commerce Minister, explained that this administration wants to conclude the process before the end of President Oscar Arias' term on May 2010. After the next round, the following step is the legal revision of the treaty, in order to sign it on March. We are ready to make it a reality in 2010, according to

ICE frees radio frequencies for mobile (Source: Nacion.com) ICE's directors ratified an agreement to free a portion of the radio spectrum, to be auctioned between future telecom operators. This was confirmed by Elbert Durán, communication director at the Costa Rican Electricity Institute (ICE). The institution will immediately free 4 of the 6 bands requested by the Executive. They are: 1.730-1.805 MHz, 1.825-1.920 MHz, 1.920-1.935 MHz and 2.125-2.170 MHz.

Costa Rica passes Free Zone bill (Source: elfinancierocr.com) The bill was finally passed by the Costa Rican Legislative Assembly, all that remains is President Oscar Arias signature and its publication in the official government newspaper. With 44 votes in favour, the law was passed. This bill broadens the existing Free Zone Law, by adding a new category for manufacturing companies. It specifies incentives and clear regulations, but also puts the country in line with a WTO Agreement covering subsidies and compensatory measures.

British miner Ascot produces first gold at Chassoul mine in Costa Rica (Source: Prospective Investors) Junior gold producer Ascot Mining, based in the United Kingdom, confirmed that it had produced its first gold bar at the Chassoul mine in Costa Rica. Mining operations and the mill circuit are now "fully operational" at Chassoul, with the first 10 ounce bar produced after the completion of a successful primary test-run of the entire ore-processing circuit. Gold production from the nearby Tres Hermanos and El Recio concessions is expected to commence in the first quarter of next year.

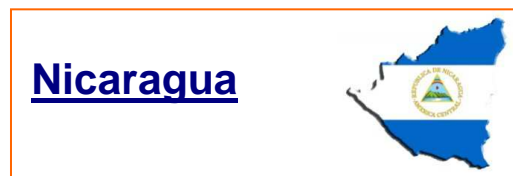
Guatemala



Guatemala puts oil fields out to tender (Source: prensalibre.com) Three areas with oil production potential will be put out to tender on January 2010, out of a total twelve. Of the

three areas, two are located inland, and one is offshore in Guatemalan waters, explained Carlos Meany, Energy and Mines Minister. Guatemala wants to start with those areas located to the southwest of Petén, because of the oil potential of the mantle near Belize. This country already extracts five thousand daily barrels.

Guatemalan legislators postpone decision on fiscal reform package (Source: El Periódico) A decision by legislators on whether to approve the Guatemalan government's proposal for tax reform has been postponed until early January. The government had hoped to begin 2010 with new taxes that would finance state spending on education, health and public security. Apart from the tax package, also pending are the Public-Private Alliance Law, the Rural Development Law and two loans, one for \$20 million to use in foreign trade and the other for \$55 million for rural electricity.



\$497 million in renewable energy (Source: EPA) The government of Nicaragua is planning considerable investment in renewable energy in the next 4 years. The announcement was made by Emilio Rappaccioli, Energy and Mines minister, in a press conference. He added they also plan to invest \$203 million in rural electricity and up-keeping existing energy generation plants. Rappaccioli detailed how much they will earmark for each project. Among others, \$207 million will be destined to enlarge geothermal energy project San Jacinto-Tizate, located in Nicaragua's north-west.

IDB doubles Nicaragua lending to \$162 million (Source: Associated Press) The Inter-American Development Bank (IDB) doubled the amount of its lending to Nicaragua in 2009 and will maintain the same level through next year. The IDB lent \$162 million to Nicaragua from its Special Operations Fund this year. The original allocation was \$80 million, but the amount was increased to help Nicaragua confront the impact of the world economic crisis. The IDB will maintain the \$162 million level in 2010.

New Ports Law in 2010 (Source: laprensa.com.ni) The Legislative Assembly could pass the bill on the first trimester of 2010. Virgilio Silva, president of EPN, the national ports company, explained the new law is fundamental to attract investment for the port industry. One of the projects in need of investment is the port at Monkey Point, located in the Caribbean, which needs around \$250 million. Port Corinto, located in the Pacific Ocean, is the most important in Nicaragua. But in order to ship exports to the U.S. east coast and Europe, exporters must rely on Port Cortés in Honduras or Port Limón in Costa Rica, both located in the Caribbean.



El Salvador's Congress approves tax increases for drinks and tobacco (Source: Reuters) The Congress of El Salvador approved a second set of tax reforms that include taxes on tobacco, soft drinks and alcohol. The government hopes that the reform will raise tax income and stop evasion. The goal is to raise \$3 billion during 2010. El Salvador's gross domestic product is expected to grow by 2 per cent next year, according to official estimates.

High costs of freight energy and crime hurt exporters from El Salvador (Source: El Mundo) El Salvador is the most expensive country in Central America for exporters. Freight and energy prices are higher than those of other countries, and a high crime rate adds to costs. Freight fees are around 3-5 per cent more expensive than in the rest of Central America and the Caribbean. In addition, one of the biggest problems for exporters this year has been access to bank credit. Banks have been particularly cautious because of the world economic crisis.



TACA and US Airways enter Codeshare Agreement (Source: laprensagrafica.com) The agreement will come into effect on January 11th, 2010, and will offer customers more travel options to the U.S. and Latin America. By code sharing, both companies can sell each other's flights, combining segments from both airlines under a same ticket. Alex Benitez, vice president of Corporate Development at TACA, stated: "We are pleased to offer our customers new options to travel to the U.S. market with U.S. Airways".



Honduran Congress backs \$300 million Mesoamerica project for wind farm (Source: El Herald) The Honduran Congress approved a measure that makes the state the guarantor of payments by the national electricity company, ENEE, to a wind farm to be built by a subsidiary of Costa Rica-based Mesoamerica Energy. The accord will be used to support finance for the project from the US Ex-Im Bank. The ENEE has agreed to buy 100 megawatts from the wind farm. Investment in the project is \$300 million, of which the Ex-Im Bank will provide \$200 million. The remainder will come from private investors.



50 Bids for renewable energy (Source: Tiempo Digital) ENEE, the National Electric Energy Company, received bids to supply 250 MW of renewable energy. Dennis Rivera, head of ENEE's Contract Administration Department, explained they will award the contract in less than 25 days. The definitive prices have not been calculated yet, but the rules state that the maximum price is \$0,1025 per kWh, explained Rivera.



Punta Cana Airport gets financing for expansion from the World Bank The International Finance Corporation (IFC), part of the World Bank, is to finance the US\$20 million expansion of the Punta Cana International Airport, the busiest in the Dominican Republic. The expansion work will include the construction of a new runway and roll out areas, giving the airport the capacity to receive larger aircrafts, increase passenger numbers and to service more European destinations, according to a press release from the Airport Corporation of the East (CAE). The IFC financing will be combined with a US\$10 million loan from the Dominican Mortgage Bank (BHD), one of the four major financial institutions in the country.

Haiti signed EPA On December 11, Haiti signed the Economic Partnership Agreement (EPA) and joined the 14 Caribbean States, including the Dominican Republic that signed the EPA in October 2008. This will strengthen Haiti's ties both with the EU, the Dominican

Republic and the other Caribbean countries. Haiti proposed adjusting some of its commitments on tariffs and the EU accepted such request, in the light of its specific needs as a LDC. Haiti is the only Least Developed Country (LDC) in the Western hemisphere. Haiti's decision to join all its Cariforum partners in this agreement is truly significant as it offers a real opportunity to boost the nation's trade at this critical time of global economic downturn.

Dominican Republic bans imports from two Costa Rica-based companies (Source: La República) The Dominican Republic banned imports from two Costa Rican companies despite the free trade agreement between the two countries. The companies are Sajiplast and Conducen, manufactures of plastics and electrical goods. The Dominican Republic claims the two companies operate under a system that allows them tax breaks, in contravention of the free trade agreement. Dominican companies also claim that glass products made by Vicesa are swamping the market to the detriment of local industry.

Trade Events



Dutch B2B renewable energy and energy saving matchmaking trade mission to Central America and Colombia

The Dutch Embassy in Costa Rica in cooperation with the Dutch Embassy in Colombia, have contracted Metasus Consulting from the Netherlands who completed a study into the opportunities for Dutch companies for renewable energy and energy saving. A trade mission will be planned for May of 2010. For more information contact: Ir. A.T. (Bert) Keesman at e-mail: keesman@metasus.nl or via www.metasus.nl



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. A trade mission will be planned for July of 2010. For more details mail to Jan Tuinstra at j.tuinstra@dlvplant.nl

More information



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 Judith Brussee, e-mail: centraal-amerika@info.evd.nl, telephone: +0031 (070) 778 86 92.



Ambassade van het
Koninkrijk der Nederlanden

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 Netherlands Embassy in Guatemala City by email; qua-ez@minbuza.nl or by telephone (00502) 2381 4300 (Susana Azurdia). More information on website: www.mfa.nl/gua

For more information on Nicaragua you can contact the commercial department of the Netherlands 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