

GUATEMALA: THE 'JAGUAR OF THE AMERICAS' PROPELLED BY PEACE

An entrepreneurial spirit that exudes energy, impatience, eagerness, and optimism envelopes Guatemala. It's evident everywhere. Equally pervasive is the sense that, despite the commercial activity, the country's business people are chomping at the bit, as though they are in the vanguard of a momentous and promising movement that, with the right fall of the domino, will enable them to fully unleash and realize their boundless business vitality.

The catalyst that will initiate this domino effect is the peace accord to be signed December 29, 1996.

"Without peace we can't succeed," says Paul Wever, former Executive Vice President of FUNDESA, the Guatemalan Development Foundation, and now Vice Minister of the Ministry of Economy.

Peace, the pivot on which hinges so much of Guatemala's hopes, should also open Central America's most populated (10.3 million people) country to increased trade, propel its process of privatization and, among other changes, create

a climate for increased international development assistance, foreign investment and infrastructure development.

Canada will work with Central America to promote trade and investment and is prepared to extend direct foreign aid to the Government of Guatemala after the peace accord is signed, Foreign Affairs Minister Lloyd Axworthy told a meeting with his Central American counterparts in Guatemala City on September 12, 1996.

"We're with Guatemala on this, and will continue to help with the building of peace," Axworthy said.

And, he added, the Canadian International Development Agency will sponsor a \$25-million regional electric energy project that will benefit each Central American country as well as further encourage investment by major industries. The project will get underway in early 1997.

Canada-Guatemala Trade Relations

While working on gradual and progressive import tariff reduction, elimination of non-tariff barriers, demonopolization and privatization of many state services, and establishing a reliable judicial system, Guatemala can pride itself on having the largest Gross Domestic Product (US\$13 billion in 1995) in Central America.

It also claims the region's largest (3.2 million), most diverse and adaptable workforce, a strong and competitive private sector that contributes almost 90 per cent of the country's GDP, and the largest import market after Panama. And it can boast continuing growth in its trade with Canada.

In 1995, two-way trade between the two countries totalled \$134.7 million, of which \$93.4 million were Canadian imports, mostly coffee, fruits and vegetables (bananas and peas), textiles, sesame seeds and toilet soaps.

Canadian exports to Guatemala in 1995, totalled \$41.3 million and consisted primarily of newsprint and other paper products, wheat and wheat durum, and plastics.

*Continued on page IV
Guatemala*

Climate Conducive to Foreign Investment in Guatemala

"Guatemala gives national treatment to all investors," says Sonia Lainfiesta, Director General, Investment Development Branch of the Ministry of Economy.

"Mining is open to foreign investment; there are no restrictions," Lainfiesta says. "I understand Canada is very interested in mining."

In the electricity sector, "Right now, the generation is open to foreign investment; they can generate, but they sell to INDE [the National Electricity Authority]. Water distribution is also being opened."

In her capacity of establishing general investment regulations for the country, Lainfiesta

says, "We don't believe in investment incentives per se. They are important [and many exist], but investors are looking for security and stability — and that is what we are trying to provide.

"We are trying to open, to modernize our internal structure and legal framework, to bring it up to the 21st century and create an attractive climate for productive investment."

Miss Lainfiesta, who also has a major role in Guatemala's negotiations on Canada's model Foreign Investment Protection Agreement (FIPA), "hopes by the end of the year" to have a response. It is now in draft form with the Minister of Economy.