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## **Guatemala Profile: Basic Data, Macroeconomic Indicators, Foreign Investment Regulations & Incentives**

by Deborah Tyroler

Category/Department: General

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**BASIC DATA** Land area: 108,889 sq.km. (42,042 sq.mi.) Population: 9,097,636 (est. 1990) Capital/largest city: Guatemala City Arable land & permanent crop land: 17% Adult literacy: 50% Currency: quetzal. Exchange rate (March 1992): Q5.09 per US dollar Transportation & communications (c. 1991) Railroads: 870 km. (544 mi.) Highways: 26,429 km. (16,415 mi.) total; 2,868 km. (1,781 mi.) paved; 11,421 km. (7,094 mi.) gravel; 12,140 km. (7,540 mi.) unimproved Ports: Santo Tomas de Castilla and Puerto Barrios (Atlantic); Puerto Quetzal, San Jose, Champerico (Pacific) Shipping lines: CCT-Crowley Caribbean Transport, Lineas Maritimas de Guatemala, Nexos Line, Sea Land Service, Seaboard Marine, Transcontinental Air service: La Aurora International Airport near Guatemala City and secondary airports in El Peten, Coban, Quetzaltenango and Huehuetenango departments Airlines: Aeronica, American, Aviateca, Continental, Copa, Iberia, KLM, LACSA, Mexicana, SAHSA, TACA International Telecommunications: 180,000 telephone lines; international telephone, fax and telex services available; 98 AM, 30 FM, 6 TV stations; connected to the Central American microwave network; one Atlantic Ocean satellite station Visa/entry requirements: A valid passport is required of all visitors to Guatemala. Visa requirements vary depending on nationality of visitor. (Contact with embassy or consulate is recommended.) **MACROECONOMIC STATISTICS & INDICATORS** Gross Domestic Product (GDP): US\$8.309 billion (1990) GDP per capita: US \$900 (1990 est.) Real GDP growth: 3.5% (1990) Origin of GDP (1990): agriculture, 25.8%; wholesale & retail trade, 24.7%; manufacturing, 14.9%; other sectors, 11.2%; transport & communications, 7.7%; public sector, 6.8%; financial services, 4.0%; construction, 2.5%; electricity, gas & water, 2.2%; mining, 0.3% Consumer price inflation: 1986, 36.9%; 1987, 12.3%; 1988, 10.9%; 1989, 11.4%; 1990, 40.5% Labor force (1989): 2,723,633 Employment by sector (1990): services, 35%; agriculture, forestry & fishing, 31%; manufacturing, 14.3%; commerce, restaurants & hotels, 11.8%; transport & communications, 3%; construction, 2.4%; electricity, gas & water, 1.7% Official combined un- and underemployment (1990): 42.6% Wage rate (1990 est.) average Q356 per month Principal products: sugarcane, cotton, coffee, bananas, cardamom, rice, corn, beans, livestock Major manufactures: processed foods & beverages, tobacco, printing & publishing, textiles, clothing Main exports: coffee, bananas, sugar, cardamom, cotton Main imports: raw materials & intermediate goods, capital goods, petroleum, foodstuffs, chemicals, manufactures Principal trade partners (1989): Exports U.S. (47.6%), El Salvador (8.8%), Germany (6.9%), Costa Rica (5.1%), Japan (3.6%) Imports U.S. (39.5%), Mexico (6.2%), Germany (5.6%), Venezuela (5.4%), El Salvador (5.1%) **FOREIGN INVESTMENT REGULATIONS & INCENTIVES** (c. late 1991) Foreign investors have the same contract rights as national counterparts, and are allowed to own up to 100% of local companies. Most legal restrictions on access to foreign exchange and on profit repatriation have been waived as part of the government's efforts to stimulate new foreign investment. Specific investment incentives are contained in the following legislation: \* An Industrial Decentralization Promotion Law which provides special fiscal incentives, as well as preferential access to government financing and services, for industries which choose to establish operations in areas other than Guatemala City. \* The Law for Development of Tourism establishes extensive fiscal incentives to companies

interested in making investments in construction, or providing services related to the tourism industry. \* Two decrees on the books since the early 1980s provide incentives for export-oriented industries in general, and special tax credits for exporters of non-traditional products. \* A 1984 law regulates the maquiladora or assembly-for-export industries, providing a wide variety of exemptions on import and export duties and taxes. These incentives are offered to companies which export part of their production to markets outside Central America. \* The ZOLIC free zone is located near Puerto Barrios on the Atlantic coast. The free zone offers the usual exemption on customs duties for acquisition of merchandise, raw materials, supplies, machinery and equipment used in manufacturing activities. Companies operating in the free zone obtain income tax exemption during the first 12 years of operation. Exports from the zone are exempt from taxes, duties, and quotas, with the exception of products exported from the zone into Guatemala. \* A 1989 law regulates the establishment of privately owned and operated free zones, which can also take advantage of tax exemptions and other incentives. As of mid-1991, plans were underway for establishing new free zones in the Pacific coast ports of Quetzal and Champerico, and another two in Guatemala City. Korean investors were planning to build their own free zone for maquila plants near Guatemala City. Sample group of foreign businesses with operations in Guatemala: Abbot Labs, Ace Industrial Hardware Co., Air Florida, American Express Continental Corp., Bank of America, Beatrice Foods, Bristol-Myers Company, Citicorp, Colgate- Palmolive Company, Del Monte Corp., Dow Chemical Co., Exxon, General Mills, Goodyear Tire & Rubber, Kellogg Co., Miles Laboratories Inc., Monsanto Chemical, Pfizer Corp., Phelps- Dodge International, Pillsbury Co., Price Waterhouse, Proctor and Gamble Co., Ralston Purina, Sherwin Williams Co., Tappan Co., United Brands, Weyerhaeuser Co., Xerox. CONTACTS [To call Guatemala from the US, dial access code (011), followed by the area code (502), (2), and the number.] Camara Empresarial de Guatemala (CAEM) Edificio Camara de Industria Ruta 6, 9-21, Nivel 9, Zona 4 Guatemala City, Guatemala Tel: (502) 2-316513 Fax: (502) 2-315477 Gremial de Exportadores de Productos no-Tradicionales (GEXPRONT) Edificio Camara de Industria Ruta 6, 9-21, Nivel 9, Zona 4 Guatemala City, Guatemala Tel: (502) 2-318525/315947/325683 Fax: (502) 2-323590 Economic Counselor Embassy of Guatemala 2220 R Street, NW Washington, DC 20008 Tel: (202) 745-4952/3/4 Fax: (202) 745-1908 Commercial Attache American Embassy APO Miami 34024 Tel: (502) 2-311541 Fax: (502) 2-318885 SOURCES Back issues, LADB's Central America Update, Chronicle of Latin American Economic Affairs. Caribbean/Latin American Action. 1991 Caribbean and Central American Data Book. Washington, DC: November 1990. Economist Intelligence Unit. Guatemala, El Salvador, Honduras: Country Profile, 1991-92. London: Business International Limited, 1991. Investing, Licensing and Trading Conditions Abroad: North America/Latin America. Business International Corporation, September 1991.

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