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## The Guatemala Issue



Guatemala is witnessing economic resilience. Despite ongoing political turmoil, the economy has remained fairly stable, with foreign direct investment (FDI) growing by 8 percent last year to reach \$1.5 billion. The gross domestic product increased by 3.5 percent, demonstrating resilience in the face of challenges. USA nearshoring

Investments are skipping Guatemala for the time being, waiting for more efficient infrastructure, USA companies are looking consistently for new investment in Guatemala. Why? Macroeconomic stability. And tourism is on the rise.

The country's unique appeal lies in its living culture, where visitors can engage with ongoing Mayan ceremonies and traditions, setting it apart from other destinations. Guatemala's incredible biodiversity is another major draw, featuring 360 microclimates that support a vast array of flora and fauna. From the sun-soaked Pacific beaches to the cool heights of the Cuchumatanes mountains, the country offers diverse experiences for all types of travellers. The culinary scene is flourishing as local chefs creatively blend Mayan techniques and ingredients with international flavours, gaining recognition on regional platforms.

The wealth of historical and archaeological sites is undeniably one of Guatemala's biggest attractions. UNESCO World Heritage Sites like Antigua and the Tikal National Park offer glimpses into a rich past, while recent studies reveal over 6,000 archaeological sites across the Mayan region waiting to be explored. YES, 6000!! Those who invest time in Guatemala will uncover a deep tapestry of history interwoven with the lush jungle landscape.

To harness this tourism potential, the government plans to raise FDI to nearly \$1.9 billion by 2027, taking advantage of the trend of companies moving production closer to the US.

As tourism flourishes, the importance of sustainability cannot be overstated. Initiatives encouraging businesses to adopt environmentally friendly practices and focus on inclusivity ensure that the benefits of tourism extend beyond mere economic gain to positively impact local communities.

In summary, Guatemala is well-positioned to redefine its role in the global tourism market. With its unique blend of cultural richness, natural beauty, and a commitment to sustainable practices, the country is indeed remarkable and on an unstoppable path toward growth.

CCLATAM Editorial Board

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## El State of Affairs



Guatemala is increasingly positioning itself as an attractive destination for foreign investment, with the number of companies expressing interest rising from 54 in June 2024 to 76 in August 2024, many of which are poised to create jobs. The country shows strong potential in light manufacturing, particularly for automotive parts and electric vehicle production, while investments have historically concentrated in the financial sector.

A key factor drawing foreign interest is the relocation of manufacturing companies from Asia, which are seeking closer proximity to the lucrative North American market, including the United States, Canada, and Mexico. Guatemala's geographical position makes it an appealing option for companies looking to minimize shipping times and costs.

Significantly, Walmart plans to invest approximately \$700 million in Guatemala over the next five years, a move announced during the groundbreaking of a new store in the country. This investment follows a similar announcement regarding a \$600 million investment in Costa Rica over the same period. Walmart's Mexico and Central America unit reported double-digit same-store sales growth in Guatemala during the first quarter, alongside growth in Nicaragua and Honduras, while Costa Rica experienced lower sales growth.

Amid these economic developments, the issue of irregular migration from Guatemala to the United States has intensified over the past five years, making Guatemala the second-largest source of migrants intercepted at the US southern border. Countries across the region are under pressure from the US government to curtail migration, and

there are concerns about increased pressure should former President Donald Trump return to the White House after the upcoming election. The focus for Guatemalan authorities has shifted towards managing and containing the flow of migrants, which complicates the economic landscape.

In parallel with foreign investment, the Guatemalan government is emphasizing national investment, particularly in infrastructure. Public investment will prioritize the development of secondary roads in rural areas to enhance connectivity. Significant projects in the capital include the renovation of the ageing airport and the construction of the city's first metro line through public-private partnerships, with plans to extend this model to other critical infrastructure such as ports and energy plants.

To fully capitalise on investment opportunities, continued infrastructure improvements are essential. Foreign direct investment (FDI) has been on the rise since 2020, with projections of \$1.65 billion for 2024 and \$1.85 billion by 2025. While these figures indicate a positive trend, they still fall short compared to neighbouring countries like Costa Rica and the Dominican Republic, which attract over \$4 billion annually.

Climate change is not sparing Guatemala. The country is facing a food security crisis. However traditional Mayan agriculture practices might be the solution. Celia Ramírez and her Mayan Chortí family cultivate maize and beans in Guatemala's Dry Corridor, a region severely affected by climate change and prolonged droughts. Despite the challenges faced by over 7 million residents, traditional agricultural practices rooted in Mayan culture, such as the K'uxu'rum Agroforestry System, offer resilience against these impacts.



A resident of the dry corridor who implemented the K'uxu'rum Agroforestry System.

This system emphasises sustainable methods like avoiding control burning, nurturing natural tree regeneration, and enhancing soil moisture and nutrient cycling through the integration of madre cacao trees with crops. These practices not only sustain

production during droughts but also illustrate how traditional knowledge can effectively combat climate change challenges.

While K'uxu'rum has significantly reduced drought impacts for some families, it is insufficient to eradicate the broader issues of food insecurity and lack of opportunities in the region. Currently, nearly 2.5 million people living in the Dry Corridor require food assistance due to moderate and severe food insecurity.

Guatemala's challenge of managing migration flows, of going through the current political turmoil, of facing climate change, and domestic security remains critical issues that influence both the economic environment and the relationship with the United States.

As the Guatemalan says, the country is blessed and perhaps this is the secret of his resilience.

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## La Charla



Paulo De León is a financial and economic analyst, as well as a co-founder of the consulting firm Central American Business Intelligence (CABI). Previously, he served as an emerging markets analyst at Banco de Chile and at the investment fund TIM Global. The following interview was aired in the [Confesionario Con Veneno \(watch it here\)](#). We present an excerpt.

## **Where to invest in Latin America?**

I believe that the Dominican Republic stands out significantly. In the next five years, I am convinced that it will be an attractive country for investors. The current president is doing a great job, having achieved significant support in the elections, and his team is highly technical and well-prepared. This provides an environment of stability and clarity in political decisions. Additionally, Mexico also presents interesting opportunities. Despite political differences, we have seen how large companies, such as Tesla, have decided to invest in the country. Mexico's location, just south of the world's largest market, makes it a strategic point for trade and investment. Each country has its particularities and highlighted sectors, so it is essential to evaluate the specific opportunities they offer. Undoubtedly, both the Dominican Republic and Mexico are shaping up as viable options for investors looking to expand their horizons in the region.

## **And Guatemala?**

Guatemala presents a unique opportunity for investment, despite the challenges that are frequently mentioned. It is true that the state of infrastructure, such as roads and ports, can complicate the landscape; however, the country has significant competitive advantages.

Firstly, Guatemala has a hardworking and resilient population. The people here have a strong desire to improve and contribute to the country's development. Additionally, the geographical location of the country, with access to both North and South American markets, provides considerable logistical potential. It is important to mention that politics does not always directly affect investment decisions. Many Guatemalan entrepreneurs continue to bet on the country and generate jobs, despite the difficulties. For example, consider Apple, which produces 99% of its products in China, a country with a very different political environment and human rights challenges.

Apple's decision to establish its production in a country with lower costs, despite ethical concerns, is based on cost-benefit logic. This shows that companies prioritize economic efficiency over other factors, which could indicate how investors might view Guatemala if attractive conditions are offered. Investment decisions are often made based on costs and benefits, and Guatemala can offer attractive opportunities in this respect. While corruption is a problem affecting many countries, it is not exclusive to Guatemala.

The key lies in the private sector's ability to adapt and thrive in this environment. Therefore, investing in Guatemala is not only viable, but it can also be a smart strategy for those seeking sustainable growth in an emerging market full of talent and resources. If companies like Apple can operate in difficult contexts, there is a precedent for others to do so in Guatemala, where human and natural potential is considerable.

## **What do your foreign clients appreciate most about Guatemala?**

They greatly appreciate macroeconomic stability, as it is a model to follow. I believe everyone talks about macroeconomics and how their country should emulate Guatemala. This is because the economy is insensitive to political fluctuations. We talk about the chapín drive to get ahead, without waiting for anything from anyone; they

simply strive to improve their situation. In Guatemala, parents are willing to sacrifice for their children, even if it means giving up something valuable. The motivation to provide their children with a better future is powerful; many are willing to work hard to achieve it. However, there is also a sense of waiting for the state. Macroeconomic stability is undoubtedly a responsibility of our society. There is distrust towards the government, which leads to not granting it a free hand to act at will. This translates into a clear line regarding money printing and its regulation.

### **What type of investment would you advise a young Guatemalan entrepreneur?**

I would tell them that it is crucial to adopt a long-term vision and be open to diversification. Instead of following traditional investment methods, they could explore innovative opportunities that reflect current global trends, such as technology and artificial intelligence. For example, the case of companies like Nvidia shows us how an idea can revolutionise the market after years of effort and perseverance. It is important to research and understand the narratives driving these companies, as markets often move based on emotions and perceptions. Moreover, the young entrepreneur should consider investing in stocks of companies that benefit from technological transformation, but always with a critical approach, assessing whether prices are justified by the company's fundamentals. It is also essential to stay informed about changes in the global economy and how these may affect local investments. Finally, fostering a mindset of constant learning and adaptability will be key to navigating the world of investments and taking advantage of emerging opportunities.

### **The issue of public debts in Latin America is significant and poses an obstacle to both domestic and foreign investments. What do you think?**

Currently, fiscal policy in Latin America is deeply influenced by political dynamics and the populism that has increased in the region. Many leaders seek re-election, and in that context, the temptation to resort to money printing by central banks becomes very attractive. However, this does not reflect true fiscal responsibility.

As you mentioned, we are witnessing populism that spans both the right and the left, where political promises are grand, but often unsustainable. Political leaders often avoid making difficult decisions, such as addressing the fiscal deficit, and instead opt for quick solutions that may have long-term consequences.

In the case of Argentina and Javier Milei's politics, his approach has been to cut off excessive public spending. In a country with severe fiscal problems, where tax revenues are insufficient to cover expenditures, printing money only fuels inflation. Milei aims to ensure that government spending is more sensible and sustainable, which is a necessary step to stabilise the economy and reduce rampant inflation. In summary, the challenge is to find a balance between responsible fiscal policy and the political pressure that often leads to populist decisions, which can ultimately harm the economy more than benefit it.

### **How do you see the Guatemalan economy in the medium term?**

The Guatemalan economy shows a very promising urbanisation process. An increase in business activity is being observed at all levels, from small to large companies, which

are investing in the cities of the country. This local dynamism is attracting more people to urban centres, which in turn increases per capita income and spending in these urban areas, generating a positive economic cycle.

Although there has been some slowdown in the flow of remittances, which have shifted from growing at a rate of 30% to 20% and now around 10%, the long-term impact is not necessarily negative. Remittances continue to play an important role in energising the local economy, as people spend and invest more in their homes, fostering a virtuous circle of growth. I am optimistic about Guatemala's future, both under the previous government and the current one.


The decision of entrepreneurs and citizens to continue betting on the country is an encouraging sign. Regions like Cuba, Mazate, and Zacapa are experiencing notable growth, and the urban expansion that we are witnessing in Guatemala is a process that many developed countries underwent decades ago. In summary, we are in an exciting phase of transformation that promises a bright future for the Guatemalan economy.

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## Elsewhere in LATAM

 Brazil X Free country. The blocking of social media platform X in Brazil has sparked division among users and politicians regarding the ban's legitimacy. The shutdown began on Saturday after Elon Musk failed to appoint a legal representative in Brazil by a deadline set by Supreme Court Justice Alexandre de Moraes. This action escalates an ongoing conflict over free speech, far-right accounts, and misinformation. Brazil, a major market for X with millions of users, saw users from other platforms welcoming newcomers. De Moraes stated that X will remain suspended until it complies with his orders and imposed a daily fine for VPN use to access the platform. Legal experts have raised concerns over the decision's validity and potential authoritarian implications.

 Uruguay- Google announced plans to open its second data center in Latin America, located in Canelones, Uruguay, with an investment exceeding \$850 million. This follows the establishment of its first data center in Quilicura, Chile, in 2015, which initially received a \$150 million investment and an additional \$140 million for expansion in 2018. Google expressed hopes that the new Canelones facility will significantly benefit Uruguay's professional and technological development.

 Brazil- Gabriel Galipolo, a 42-year-old economist, has been nominated by President Luiz Inacio Lula da Silva to head Brazil's central bank, pending Senate confirmation. Currently the bank's director of monetary policy, Galipolo has faced skepticism due to his unconventional economic views and perceived lack of technical expertise. Despite initial doubts, he has gained support for his rapport with Lula and is now seen as a strong candidate to succeed Roberto Campos Neto when his term ends in December. Galipolo has not made changes to the central bank's exchange rate policy amid a decline in the Brazilian real. He holds a master's degree in political economy and has



experience as an economic adviser and CEO, gaining recognition for his negotiation skills in Congress.

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## La Cita

*You will learn more by walking from Canada to Guatemala, than you will ever learn in a film school*

*Werner Herzog, Movie Director*

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## El Gráfico



**Source: DHS Statistics**

Annual Migration From Central America. As the rise in remittances will largely be influenced by migration to the US, by the end of 2024, remittance growth in the LAC region is anticipated to be limited to a maximum of six percent. The top ten remitting countries are projected to experience even more modest growth of five percent. Notably, Peru is expected to lead with a significant 14 percent increase, followed by Nicaragua and Haiti at 13 percent each. Colombia and Ecuador are both forecasted to grow by 10 percent, while Guatemala is projected at nine percent. The remaining countries measured may see growth rates that are equal to or below the regional average.

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## La Invitación

CCLATAM and DPL News will host a dinner event in Cartagena on September 3rd. The event is held in parallel to the [19th CRC International Regulatory Workshop: “Digital Markets, Overview, Challenges and Opportunities”](#). CCLATAM & DPL News event is generously supported by [ILLUMIO](#) and [HAAP](#).

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## La Indicación

We asked CCLATAM's co-founder Luis Enrique Cruz - Veneno- lunch tips for Guatemala City. Take note:

Sublime o Le Rendez Vous for power lunch with a foreign business representative.

Carpaccio for lunch with friends talking business and more.

La Pista or Monticelli for a family lunch.

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## El Lugar

Should you travel to Guatemala City, check-out [La Erre](#), an art gallery and more.



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## La lectura

We recommend [The Jungle of Stone, by John L Stephen and Frederick Catherwood](#). This book takes you in the amazing adventure of John and Fredrick two archeologists enthusiasts travelling through Central America and Mexico in the 1840. They crossed Belize, Guatemala and Honduras by foot, donkey and horse to discover the ruins of Copan.

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