

Trade Policy Review Body

TRADE POLICY REVIEW

GUATEMALA

Report by the Secretariat

This report, prepared for the first Trade Policy Review of Guatemala, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Government of Guatemala on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr. Arne Klau 739 5706 and Mr. Raymundo Valdés 739 5346.

Document WT/TPR/G/94 contains the policy statement submitted by the Government of Guatemala.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on Guatemala.

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GLOSSARY

(The translations into English should not be considered official)

Administration of the Radioelectric Wave Spectrum	<i>Administración del Espectro Radioeléctrico</i>
Association of Exporters of Nontraditional Products	<i>Asociación Gremial de Exportadores de Productos No Tradicionales, AGEXPRONT</i>
Bank Law	<i>Ley de Bancos</i>
Central American Bank for Economic Integration, CABEI	<i>Banco Centroamericano de Integración Económica, BCEI</i>
Central American Common Market, CACM	<i>Mercado Común Centroamericano, MCCA</i>
Central American Convention for the Protection of Industrial Property	<i>Convenio Centroamericano para la Protección de la Propiedad Industrial</i>
Central American Council for Tourism	<i>Consejo Centroamericano de Turismo, CCT</i>
Central American Economic Integration Secretariat	<i>Secretaría de Integración Económica Centroamericana, SIECA</i>
Central American Export Promotion Fund	<i>Fondo para el Fortalecimiento de las Exportaciones Centroamericanas, FOEXCA</i>
Central American Integration System	<i>Sistema de Integración Centroamericana, SICA</i>
Central American Legislation on Customs Value	<i>Legislación Centroamericana sobre el Valor Aduanero de las Mercancías</i>
Central American Regulations on the Origin of Goods	<i>Reglamento Centroamericano sobre el Origen de las Mercancías</i>
Central American Regulations on Safeguard Measures	<i>Reglamento Centroamericano sobre Medidas de Salvaguardia</i>
Central American Regulations on Sanitary and Phytosanitary Measures	<i>Reglamento Centroamericano Sobre Medidas y Procedimientos Sanitarios y Fitosanitarios</i>
Central American Regulations on Standardization Measures, Metrology and Authorization Procedures	<i>Reglamento Centroamericano de Medidas de Normalización, Metrología y Procedimientos de Autorización</i>
Central American Regulations on Unfair Business Practices	<i>Reglamento Centroamericano sobre Prácticas Desleales de Comercio</i>
Central American Tariff and Customs Council	<i>Consejo Arancelario y Aduanero Centroamericano</i>
Central Bank of Guatemala	<i>Banco de Guatemala, BANGUAT</i>
Chamber of Tourism	<i>Cámara de Turismo, Camtur</i>
Code of Civil Procedure	<i>Código Procesal Civil y Mercantil</i>
Code on Postal Services	<i>Código Postal</i>
Coffee Policy Council	<i>Consejo de Política Cafetera</i>
Commercial Code	<i>Código de Comercio</i>
Commercial Registry	<i>Registro Mercantil</i>
Committee for the Coordination of Technical Regulations	<i>Comité de Coordinación de la Reglamentación Técnica, CRETEC</i>
Committee for Sugar Analysis	<i>Comité de Análisis Azucarero</i>
Committee for Trade in Agricultural Goods	<i>Comité de Comercio Agropecuario</i>
Committee on Trade in Services and Investment	<i>Comité de Comercio Transfronterizo de Servicios e Inversión</i>
Consumer Protection Law	<i>Ley de Protección al Consumidor</i>
Coordinating Committee of Business Associations	<i>Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras, CACIF</i>
Council of Ministers Responsible for Economic Integration and Regional Development	<i>Consejo de Ministros Responsables de la Integración Económica y Desarrollo Regional, COMRIEDRE</i>
Customs Authority	<i>Intendencia de Aduanas</i>
Customs Declaration for Exports	<i>Declaración Aduanera de Exportación</i>
Declaration for the Registry and Control of Exports	<i>Declaración para Registro y Control de Exportaciones</i>
Department for Consumers Affairs	<i>Dirección de Atención y Asistencia al Consumidor</i>
Department for Investment Promotion	<i>Departamento de Promoción de Inversión</i>
Department for the Promotion of Competition	<i>Dirección de Promoción de la Competencia</i>

Department of Industrial Policy	<i>Dirección de Política Industrial</i>
Department of Trade and Investment Services	<i>Dirección de Servicios al Comercio y la Inversión</i>
Electricity Law	<i>Ley General de Electricidad</i>
Export Promotion and Maquila Law	<i>Ley de Fomento y Desarrollo de la Actividad Exportadora y de Maquila</i>
Farmers' Association	<i>Asociación General de Agricultores</i>
Food Enrichment Law	<i>Ley General de Enriquecimiento de los Alimentos</i>
Foreign Investment Law	<i>Ley de Inversión Extranjera</i>
Forest Law	<i>Ley Forestal</i>
Free Trade Zones Law	<i>Ley de Zonas Francas</i>
Fund for the Development of Telecommunications	<i>Fondo para el Desarrollo de las Telecomunicaciones</i>
General Central American Economic Integration Treaty	<i>Tratado General de Integración Económica Centroamericana</i>
General Customs Law	<i>Ley General de Aduanas</i>
General Direction of Internal Revenue	<i>Dirección General de Rentas Internas</i>
General Direction of Customs	<i>Dirección General de Aduanas</i>
General Direction of Mining	<i>Dirección General de Minería</i>
Government Contracts Law	<i>Ley de Contrataciones del Estado</i>
Governmental Decision	<i>Acuerdo Gubernativo</i>
Guatemala's Engineering College	<i>Colegio de Ingenieros de Guatemala</i>
Guatemalan Centre for Sugarcane Research	<i>Centro Guatemalteco de Investigación y Capacitación de la Caña de Azúcar, CENGICANA</i>
Guatemalan Commission for Standards and Technical Regulations	<i>Comisión Guatemalteca de Normas, COGUANOR</i>
Guatemalan Electricity Company	<i>Empresa Eléctrica de Guatemala S.A., EEGSA</i>
Guatemalan Institute for Social Security	<i>Instituto Guatemalteco de Seguridad Social, IGSS</i>
Guatemala Protocol to the General Treaty on Central American Economic Integration	<i>Protocolo al Tratado General de Integración Económica Centroamericana (Protocolo de Guatemala)</i>
Guatemalan Telecommunications Company	<i>Telecomunicaciones de Guatemala, TELGUA</i>
Health Code	<i>Código de Salud</i>
Income Tax	<i>Impuesto Sobre la Renta</i>
Indicative Plan for the Electric Subsector	<i>Plan Indicativo del Subsector Eléctrico</i>
Industrial Property Law	<i>Ley de Propiedad Industrial</i>
Information and Promotion Centre on Renewable Energies	<i>Centro de Información de Energías Renovables</i>
Institute for Agricultural Science and Technology	<i>Instituto de Ciencia y Tecnología Agrícolas, ICTA</i>
Insurance Law	<i>Ley sobre Seguros</i>
Integrated Programme to Protect the Agriculture and the Environment	<i>Programa Integral de Protección Agrícola y Ambiental</i>
International Convention on Phytosanitary Protection	<i>Convención Internacional de Protección Fitosanitaria</i>
Investment Bank	<i>Sociedad Financiera Privada</i>
Invitation to Bid for Exploration and Exploitation Contracts	<i>Convocatoria Para Presentar Ofertas con el Objeto de Celebrar Contratos de Exploración y Explotación de Hidrocarburos</i>
Law against Drug-Related Activities	<i>Ley Contra la Narcoactividad</i>
Law against Money Laundering	<i>Ley contra el Lavado de Activos</i>
Law Establishing the Central Bank	<i>Ley Orgánica del Banco de Guatemala</i>
Law on the Abolition of Fiscal Privileges	<i>Ley de Supresión de Privilegios Fiscales</i>
Law on the Abolition of Fiscal Incentives	<i>Ley de Supresión de Exenciones, Exoneraciones y Deducciones en Materia Tributaria y Fiscal</i>
Law on Animal and Plant Health	<i>Ley de Sanidad Vegetal y Animal</i>
Law on Arms and Munitions	<i>Ley de Armas y Municiones</i>
Law on CFCs	<i>Ley que Prohíbe la Importación y Regula el Uso de los Clorofluorocarbonos en sus Diferentes Presentaciones</i>

Law on the Commercialization of Hydrocarbons	<i>Ley de Comercialización de Hidrocarburos</i>
Law on Copyright and Related Rights	<i>Ley de Derecho de Autor y Derechos Conexos</i>
Law on Fishery and Agriculture	<i>Ley General de Pesca y Agricultura</i>
Law on Deposit Facilities	<i>Ley de Almacenes Generales de Depósito</i>
Law on the Domestic Use of Foreign Exchange	<i>Ley de Libre Negociación de Divisas</i>
Law on Hydro carbons	<i>Ley de Hidrocarburos</i>
Law on Investment Banks	<i>Ley de Sociedades Financieras Privadas</i>
Law on Licenses for Maritime Fishing	<i>Decreto Relacionado con Licencias para la Pesca Marítima</i>
Law on Maritime Fishing	<i>Decreto Relacionado con Licencias para la Pesca Marítima</i>
Law on Mortgages	<i>Ley del Fomento de Hipotecas Aseguradas</i>
Law on the Promotion of National Scientific and Technological Development	<i>Ley de Promoción del Desarrollo Científico y Tecnológico Nacional</i>
Law on Protected Areas	<i>Ley de Áreas Protegidas</i>
Law on the Protection and Improvement of the Environment	<i>Ley de Protección y Mejoramiento del Medio Ambiente</i>
Law on the Protection of Savings	<i>Ley para la Protección del Ahorro</i>
Law on Rational Exploitation of Maritime Resources	<i>Ley sobre Explotación Racional de los Recursos Pesqueros del País</i>
Law on Savings Banks	<i>Ley de Bancos de Ahorro y Préstamo para la Vivienda Familiar</i>
Law on the Specification of Money	<i>Ley de Especies Monetarias</i>
Law on Transports	<i>Ley de Transportes</i>
Law to Promote the Development of Renewable Energy	<i>Ley de Incentivos para el Desarrollo de Proyectos de Energías Renovables</i>
Maquila Law	<i>Ley de Fomento y Desarrollo de la Actividad Exportadora y de Maquila</i>
Matrix on Economic Policy	<i>Matriz de Política Económica</i>
Matrix on Environmental Policy	<i>Matriz de Medio Ambiente</i>
Mining Law	<i>Ley de Minería</i>
Ministerial Decision	<i>Acuerdo Ministerial</i>
Ministry of Agriculture, Livestock and Food	<i>Ministerio de Agricultura, Ganadería y Alimentación</i>
Ministry of Infrastructure	<i>Ministerio de Comunicaciones, Infraestructura y Vivienda (new name)</i>
Ministry of Infrastructure	<i>Ministerio de Comunicaciones, Transporte y Obras Públicas (former name)</i>
Ministry of Defence	<i>Ministerio de Defensa Nacional</i>
Ministry of Energy and Mining	<i>Ministerio de Energía y Minas</i>
Ministry of Environment	<i>Ministerio de Ambiente y Recursos Naturales</i>
Ministry of Finance	<i>Ministerio de Finanzas Públicas</i>
Ministry of Foreign Affairs	<i>Ministerio de Relaciones Exteriores</i>
Ministry of Public Affairs	<i>Ministerio Público</i>
Ministry of Public Health	<i>Ministerio de Salud Pública y Asistencia Social</i>
Monetary Board	<i>Junta Monetaria</i>
National Association of Non-Governmental Organisations for Environmental Protection	<i>Asociación Nacional de Organizaciones no Gubernamentales de los Recursos Naturales</i>
National Authority of Free Trade Zones	<i>Autoridad Nacional de Zonas Francas</i>
National Coffee Association	<i>Asociación Nacional del Café, ANACAFE</i>
National Commission for Electric Energy	<i>Comisión Nacional de Energía Eléctrica</i>
National Commission for Textile Quotas	<i>Comisión Nacional de Administración de Cuotas de Textiles y Prendas de Vestir</i>
National Council for Protected Areas	<i>Consejo Nacional de Áreas Protegidas, CONAP</i>
National Export Coordination Commission	<i>Comisión Nacional Coordinadora de Exportaciones, CONACOEX</i>
National Council for Export Promotion	<i>Consejo Nacional de Promoción de Exportaciones, CONAPEX</i>

National Forest Institute	<i>Instituto Nacional de Bosques, INAB</i>
National Institute of Electrification	<i>Instituto Nacional de Electrificación, INDE</i>
National Petroleum Commission	<i>Comisión Nacional Petrolera</i>
National Plan of Telephone Numbers	<i>Plan Nacional de Numeración</i>
National Ports Commission	<i>Comisión Portuaria Nacional</i>
National Programme for Competitiveness	<i>Programa Nacional de Competitividad</i>
National School for Agriculture	<i>Escuela Nacional Central de Agricultura</i>
National Science and Technology Council	<i>Consejo Nacional de Ciencia y Tecnología, CONCYT</i>
National Sugar Producers Association	<i>Asociación de Azucareros de Guatemala, ASAZGUA</i>
National Tourism Strategy	<i>Estrategia Nacional de Turismo</i>
One-stop Investment Office	<i>Ventanilla Única para las Inversiones</i>
One-stop Export Office	<i>Ventanilla Única para las Exportaciones</i>
Patent Law	<i>Ley de Patentes de Invención, Modelos de Utilidad, Dibujos y Diseños Industriales</i>
Penal Code	<i>Código Penal</i>
Program of Support for Central American Exportable Production	<i>Programa de Apoyo a la Producción Exportable de Centroamérica, PAPECA</i>
Register of Insurance Companies	<i>Registro de Empresas de Seguro</i>
Register of Telecommunications	<i>Registro de Telecomunicaciones</i>
Regulations for Contractors and Subcontractors in the Petroleum Sector	<i>Reglamento para Operar como Contratista de Servicios Petroleros o Subcontratista de Servicios Petroleros</i>
Regulations for Food Safety	<i>Reglamento para la Inocuidad de los Alimentos</i>
Regulations for the Fortification of Salt with Iodine	<i>Reglamento para la Fortificación de la Sal con Yodo</i>
Regulations for the Fortification of Wheat Flour	<i>Reglamento para la Fortificación de la Harina de Trigo</i>
Regulations for Hotels and Guesthouses	<i>Reglamento para Establecimientos de Hospedaje</i>
Regulations for the Import of Vegetables, Related Products and Seeds	<i>Regulaciones para la Importación de los Vegetales, sus Productos, Subproductos y Semillas</i>
Regulations for the Incorporation of Banks	<i>Reglamento para la Constitución y Fusión de Bancos</i>
Regulations for International Telephone Services	<i>Reglamento para la Prestación del Servicio Telefónico Internacional</i>
Regulation for the Recognition of Testing Procedures	<i>Reglamento para el Reconocimiento de Prueba de Análisis y Diagnóstico de Laboratorios</i>
Regulations for the Register of Commercial Tourist Offices	<i>Regulaciones para el Registro de las Empresas Comerciales de Información Turística</i>
Regulations for Satellite Systems	<i>Reglamento para la Explotación de Sistemas Satelitales en Guatemala</i>
Regulations for Spanish Language Schools	<i>Reglamento para la Inscripción y Funcionamiento de las Academias de Enseñanza del Español como Segundo Idioma</i>
Regulations for Tourist Guides	<i>Regulaciones para Inscripción y Funcionamiento de Guías de Turismo</i>
Regulations for Vitamin A Sugar Fortification	<i>Reglamento para la fortificación del azúcar con vitamina A</i>
Regulations on Local Tourist Committees	<i>Reglamento de los Comités Locales de Turismo</i>
Regulations on the Operation of Tourist Marina	<i>Reglamento de Operadores de Marinas Turísticas</i>
Regulations on Tender Procedures for Hydrocarbon Exploration and Exploitation Contracts	<i>Reglamento de Convocatoria para la Celebración de Contratos de Exploración y Explotación de Hidrocarburos</i>
Regulations on Transport and Delivery of Postal Correspondence	<i>Reglamento para el Servicio Público de Transporte y Entrega de Correspondencia Postal Prestado por Particulares</i>
Secretariat of Planning and Programming for the Presidency	<i>Secretaría de Planificación y Programación de la Presidencia, SEGEPLAN</i>
Service for Agricultural Protection	<i>Servicio de Protección Agropecuaria</i>
Special Prosecutor's Office for IPR violations	<i>Fiscalía Especial Contra el Delito Intelectual</i>
Stock Market Law	<i>Ley del Mercado de Valores y Mercancías</i>
Superintendency of Banks	<i>Superintendencia de Bancos</i>
Superintendency of Tax Administration	<i>Superintendencia de Administración Tributaria, SAT</i>

Tegucigalpa Protocol to the Charter of the
Organization of Central American States
Telecommunications Law
Tourism Law
Trade Offices of Guatemala
Transitory Law on the Exchange Rate Regime
Uniform Central American Customs Code
Uniform Central American Customs Form
Unit for Norms and Regulations
Value-Added Tax (VAT)
Vice-Minister for SME Development

*Protocolo de Tegucigalpa a la Carta de la Organización de
los Estados Centroamericanos*
Ley General de Telecomunicaciones
Ley de Fomento Turístico Nacional
Programa de Agregados Comerciales, PACIT
Ley Transitoria de Régimen Cambiario
Código Aduanero Uniforme Centroamericano, CAUCA
Formulario Aduanero Único Centroamericano, FAUCA
Unidad de Normas y Regulaciones
Impuesto Sobre el Valor Agregado, IVA
*Viceministro de Desarrollo de la Microempresa, Pequeña y
Mediana Empresa*

SUMMARY OBSERVATIONS**(1) INTRODUCTION**

1. In recent years, trade has played an important role in promoting growth and development in Guatemala. Increases in exports have outpaced GDP each year since 1996. There has been considerable progress in reducing tariff and non-tariff trade barriers, although protection remains significant in a few areas. Most restrictions to foreign investment have also been eliminated, and a wide-ranging privatization programme has led to reduced state involvement in production activities and increased efficiency in key activities. Moreover, legislation to improve government procurement regulations and the protection of intellectual property rights has been adopted. These efforts have been part of a multi-pronged strategy that encompasses unilateral, regional, and multilateral initiatives aimed at achieving sustainable economic growth through economic liberalization and public-sector modernization.

2. Economic growth in Guatemala has been steady but will need to be stepped up to effect a significant improvement in living standards. This will require in particular a consolidation of, and further forward movement in, Guatemala's liberalization efforts. In trade-related areas, further initiatives may be required to achieve greater efficiency in the domestic market, including by continuing with the privatization programme and strengthening pro-competitive policies and regulations. Non-distortionary sectoral policies will need to be favoured, bearing in mind that export-promotion programmes often result in discrimination against domestically oriented activities. Consolidation of Guatemala's liberalization efforts would also be aided through specific capacity-building programmes. Ultimately the success of these efforts is contingent upon securing lasting institutional stability. In all these areas the international community can continue to play an important role.

(2) ECONOMIC DEVELOPMENTS

3. Guatemala has Central America's largest economy, with a population of 11.4 million and a per capita GDP of close to US\$1,700. Since the signing of the Peace Accords in December 1996, which ended 36 years of internal armed conflict, one of the main objectives of the authorities has been to achieve stable and sustainable economic growth. Between 1995 and 1998 real GDP grew at an average annual rate of about 4.4%; subsequently, stagnant private consumption and reduced investment spending led to a slowdown in 1999 and 2000, with GDP growth rates of 3.6% and 3.3% respectively. Despite this relatively solid growth performance, due to Guatemala's strong population growth, per capita GDP has expanded too slowly to improve living standards significantly; poverty thus continues to be a serious problem.

4. In order to meet an agreed Peace Accords target to fund social programmes, efforts are being made to expand tax revenue; for this purpose, the value-added tax was increased to 12% in mid 2001. The Government has also undertaken efforts to strengthen the tax administration and broaden the tax base, although tariffs and value-added tax on imports still account for a large part of state income. The fiscal deficit has ranged between 0.1% and 2.8% since 1995.

5. Guatemala maintains a flexible exchange rate system; the Central Bank intervenes in the market only to moderate exchange rate fluctuations. A law passed in late 2000 allows the free circulation of foreign currency, with a view to increasing confidence in the banking system. Disciplined financial policy has contributed to a reduction in inflation from double-digit rates at the beginning of the 1990s to 5% in 2000, and has played a role in keeping the exchange rate to the U.S. dollar relatively stable since 1999. Real interest rates have shown a rising trend in recent years and reached almost 15% in 2000.

6. Guatemala's current account has registered important deficits in recent years, due mainly to persistent and growing trade deficits. The deficit has been financed largely by remittances and privatization income. Returning capital and privatization inflows increased international reserves to nearly US\$1.9 billion in 2000, equivalent to five months of total imports.

7. The United States is Guatemala's most important trading partner, being the market for 36% of Guatemalan exports and the source of 40% of its imports. Other important trading partners are other members of the Central American Common Market, the European Union, and Mexico. Between 1995 and 2000, the U.S. dollar value of Guatemalan imports grew at an average rate of 8.2% annually, well above the 6.9% growth rate of exports, reflecting in great part unfavourable terms of trade.

8. Agricultural goods (WTO definition) account for about 60% of Guatemalan exports. Despite their declining shares in total exports, coffee, sugar, and bananas continue to be Guatemala's strongest export products. Over the past years, tourism and exports of apparel and non-traditional agricultural products have increased in importance. Intermediate and capital goods dominate Guatemala's imports.

(3) INSTITUTIONAL ENVIRONMENT

9. Guatemala is in the process of consolidating its legal and institutional framework; the strengthening of governance is a priority and a necessary condition for Guatemala to achieve its ambitious development objectives. The Ministry of Economy is the lead agency for all issues related to foreign trade. Guatemala joined the GATT in 1991 and became a WTO Member in July 1995. As an international treaty, the WTO Agreements take precedence in Guatemala over domestic legislation. Guatemala has been active in the multilateral trading system, taking part in the negotiations on telecommunications services, and making use of the dispute settlement mechanism

on a few occasions. Guatemala has also participated in the mandated negotiations on services and, as a member of the Cairns Group, on agriculture.

10. Guatemala has increasingly participated in preferential trade arrangements; the Central American Common Market is at the centre of its regional trade relations. Guatemala has a Free Trade Agreement (FTA) with Mexico, now supported by new initiatives for closer physical integration between the two and with other countries in the region. Negotiations for FTAs with Canada, Chile, the Dominican Republic, and Panama have been initiated or concluded; the Agreement with the Dominican Republic was expected to enter into force in late 2001. Further negotiations with El Salvador, Honduras, and Nicaragua on the formation of a customs union, and an agreement on trade in services and investment are under way. Guatemala also has Partial Scope Agreements with Colombia, Cuba, and Venezuela, and participates in the negotiating groups of the Free Trade Area of the Americas.

11. The number and scope of these preferential initiatives, each imposing its own negotiating and implementation demands, combined with Guatemala's institutional weaknesses, raises questions about its capacity to participate effectively in all such initiatives. New FTAs are compounding trade policy implementation difficulties by, inter alia, requiring the administration of different tariff-reduction programmes and rules of origin. Incompatibilities between agreements may also emerge, for example with respect to customs valuation or safeguard measures; provisions in some of Guatemala's FTAs take precedence over multilateral rules.

12. Between 1996 and 1998, Guatemala implemented an ambitious privatization programme; however, the programme has since slowed considerably and a number of enterprises, mostly in the services sector, remain state-owned. The privatization programme was accompanied by the enactment of new telecommunications and

electricity laws that ended state monopolies in these sectors and opened them to private-sector participation. The Foreign Investment Law of 1998 grants national treatment to all foreigners with only few sectoral exceptions, notably transport.

(4) MARKET ACCESS FOR GOODS

13. Guatemala grants at least MFN treatment to all its trading partners. Tariffs are Guatemala's main instrument of border protection; the average applied MFN rate is 7.0%. Agricultural imports (WTO definition) are levied an average tariff of 10.2%, while non-agricultural products excluding petroleum are levied a 6.4% tariff on average. Alcoholic beverages and spirits face the highest tariffs with an average rate of 24.8%. Guatemala maintains import tariff quotas for a number of agricultural products under its Uruguay Round minimum access commitments.

14. In the Uruguay Round, Guatemala bound all its tariffs. While non-agricultural products were bound at a ceiling rate of 45%, Guatemala's final bound rates for agricultural products range from 10% to 257%. Closing the wide margin between applied and bound rates would further increase the predictability of market access conditions.

15. Tariff reductions under preferential agreements have contributed to improved access to the Guatemalan market for partners. Duty-free access is offered to most imports from the Central American Common Market. Preferential tariffs are also offered to Mexico under a bilateral free-trade agreement, and to Colombia, Cuba, Panama, and Venezuela.

16. Irrespective of their origin and in accordance with the national treatment principle, imports are subject to domestic taxes, most notably a 12% value-added tax, applicable on the c.i.f. value of imported goods. In addition, various goods, such as alcoholic beverages, cement, and vehicles, are subject to specific consumption taxes.

17. In order to strengthen customs procedures, Guatemala obtained a delay until November 2001 on the application of the WTO Agreement on Customs Valuation. Minimum import prices for customs valuation purposes are in place for rice, used clothes, and second-hand vehicles. A new customs law is expected to be enacted in 2002.

18. The use of non-tariff trade barriers appears limited. Guatemala maintains various import restrictions and prohibitions, which apply equally to all trading partners, for reasons of security, health, and environmental protection. Guatemala has not taken recourse to contingency measures, with the exception of one anti-dumping case, which was withdrawn by the authorities after a panel was established to examine its WTO consistency.

(5) OTHER MEASURES AFFECTING TRADE IN GOODS

19. Legislation on free-trade zones and maquila enterprises constitute Guatemala's main instruments for export promotion. Pursuant to these arrangements, exporting enterprises may, under certain conditions, benefit from exemptions from import duties and various internal taxes. Guatemala does not make use of official export credits or insurance programmes to promote exports.

20. Guatemala benefits from various GSP schemes and the unilateral U.S. Caribbean Basin Initiative. Guatemalan raw cane sugar exports to the United States benefit from preferential tariff quotas. Guatemala's textiles and clothing exports to the United States are also subject to quotas. Export quotas are in place for products covered by the WTO Agreement on Textiles and Clothing. Guatemala maintains export taxes only for the coffee sector.

21. Government procurement is regulated by the Government Contracts Law of 1992, which accords national treatment to foreign suppliers of goods and services. Guatemala does not have a comprehensive legal

framework for competition policy but the authorities are preparing such a framework. Although there are sector-specific regulations to ensure that domestic markets remain competitive, the information available suggests that competition is restricted in some key sectors, such as financial services.

22. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) became part of Guatemala's legislation through its ratification of the Marrakesh Agreement. Subsequently, Guatemala has undertaken legal and administrative reforms to facilitate the protection of intellectual property rights, such as the enactment of new copyright and industrial property laws. Annual registrations of intellectual property rights have increased substantially since 1995.

(6) SECTORAL POLICIES

23. Agriculture generates about 23% of Guatemala's GDP. Despite its decreasing share in GDP, agriculture remains a central sector of the Guatemalan economy due to its contribution to employment and export earnings. However, Guatemala's two main agricultural exports, coffee and sugar, have come under considerable pressure in recent years due to adverse international market conditions.

24. The industrial sector, including manufacturing, construction, mining, electricity and water, accounts for 20% of GDP. Manufacturing, which accounts for some 13% of GDP, is largely concentrated in the processing of agricultural products, geared to the domestic, Central American and U.S. markets. Other important manufacturing subsectors are footwear, textiles, metals, and chemical products.

25. Guatemala's special fiscal arrangements for free trade zones and maquila enterprises appear to have favoured particularly the production of various non-traditional goods, although no precise

estimates exist. These goods comprise agricultural products such as cut flowers and specialty vegetables, fishery products such as shrimps, and manufactures, in particular textiles and apparel. As foreign trade under these special arrangements is not recorded, actual exports in these sectors as well as imports of necessary inputs may be underestimated in official trade statistics.

26. The services sector contributes some 57% to GDP, with commerce being the dominant subsector. Pursuant to the Foreign Investment Law, market access to most services sectors on a non-discriminatory basis is guaranteed to foreign investors. Market access to financial services is regulated by specific sectoral legislation. Subject to approval of the regulatory authorities, insurance companies and banks may incorporate a Guatemalan enterprise; foreign banks may also establish branches or subsidiaries.

27. Guatemala's commitments under the GATS are relatively limited, covering only five service categories, as they bound the policy framework in place before the beginning of Guatemala's privatisation programme and the enactment of the Foreign Investment Law.

28. State-owned enterprises continue to operate in financial services, maritime transports and telecommunications; however, they represent only a minor share of the respective sector's output. Minimum local capital requirements are in place only in the transport sector. The enactment of a new Telecommunications Law in 1996, together with the privatization of the state-owned telecommunications company, prepared the ground for the rapid growth observed in this sector in recent years. Tourism has developed into an important source of foreign exchange, generating more than US\$500 million annually. Despite the significant improvement made in upgrading the Guatemala's infrastructure, problems remain in certain sectors, such as financial services and port facilities.
