

IV. TRADE POLICIES BY SECTOR

(1) INTRODUCTION

1. Agriculture and commerce are Guatemala's dominant economic activities, each contributing approximately one quarter to GDP, with a slowly declining trend for agriculture (Table IV.1). Manufacturing accounts for about 13%, while mining is relatively unimportant with less than 1%. Most services sectors, which together make up more than half of Guatemala's GDP, increased their share during the 1990s, whereas the share of manufacturing fell. It should be noted, however, that these figures are based on statistics published by the Central Bank, which do not include the value-added generated in free-trade zones, by maquila enterprises or the informal sector.

Table IV.1
Shares of GDP 1991-2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP (Q million (1958))	3,514	3,684	3,828	3,983	4,180	4,303	4,491	4,715	4,887	5,048
Shares (% , at 1958 prices)										
Agriculture	25.7	25.3	24.9	24.5	24.2	24.1	23.7	23.4	23.1	23.0
Mining	0.3	0.3	0.3	0.3	0.4	0.5	0.5	0.6	0.6	0.5
Manufacturing	14.9	14.6	14.5	14.3	14.1	14.0	13.7	13.6	13.4	13.1
Construction	1.9	2.3	2.2	2.1	2.2	2.2	2.3	2.4	2.6	2.2
Electricity and water	2.5	2.7	2.9	2.9	3.0	3.1	3.4	3.4	3.7	4.2
Transport and communication	8.1	8.3	8.4	8.4	8.6	8.7	8.8	9.0	9.2	9.4
Commerce	24.2	24.1	24.1	24.5	24.8	24.7	24.6	24.7	24.5	24.6
Finance and real estate	9.2	9.2	9.3	9.4	9.5	9.7	9.7	9.8	9.9	9.9
Public administration	7.1	7.1	7.5	7.6	7.4	7.3	7.4	7.4	7.4	7.5
Other	6.0	5.9	5.9	5.9	5.8	5.8	5.8	5.7	5.7	5.7

Source: Bank of Guatemala.

2. The agriculture sector accounts for about 60% of Guatemala's exports. Export activity in the sector is concentrated in the production of the traditional products of coffee, sugar, bananas, and cardamom. However, non-traditional agricultural exports, e.g., specialty vegetables and fruits, account for an increasing share of Guatemala's export revenue.

3. During the 1990s, activities in export-processing zones and maquila enterprises experienced remarkable growth. Growth was particularly high in the production of apparel and textiles. Other manufacturing activities of importance are food processing and light assembly. Information from producers suggests that, following the enactment of special export regimes in 1989, quality and productivity improvements resulted from the access to imported inputs as well as increased foreign investment.

4. The services sector generates more than 57% of Guatemala's GDP. Deregulation and openness to private investment have allowed the sector to expand rapidly in recent years. Tourism and telecommunications have experienced the most rapid growth, both more than doubling their value-added in real terms during the 1990. Significant improvement has been made in upgrading the country's infrastructure; nevertheless problems remain in certain sectors, such as financial services and port facilities.

5. As a result of Guatemala's privatization programme between 1997 and 1999, state involvement in most industries has decreased significantly. The Foreign Investment Law, enacted

in 1998, abolished exceptions to national treatment for most industries, whereas new legislation for the mining, telecommunications and electricity sectors opened up these industries to private sector participation and foreign investment.

(2) AGRICULTURE

(i) Main features and policy objectives

6. Agriculture is a key sector in Guatemala's economy in terms of output, employment, and trade. In 2000, the sector (including forestry, fishing, and hunting) accounted for some 23% of GDP, down from 26% in 1990. About 60% of the economically active population is engaged in some form of agricultural activities, with a high percentage of the rural population working in subsistence farming.

7. The agricultural sector is characterized by commercial and subsistence farming. Both forms of operations are located throughout the country. Large commercial farms are concentrated in the southern coastal areas and in the northern part, while the small-scale operations are primarily located in the western highlands, and are operated by subsistence producers who grow beans, corn, and vegetables. Land ownership is significantly skewed, with 3% of the agricultural land being cultivated by 37% of the economically active population.

8. Corn, beans, and rice constitute the main crops cultivated for domestic consumption. In 2000, Guatemala produced 22.6 million quintals of corn, 1.9 million quintals of beans, and 1.0 million quintals of rice.¹

9. Policies for the agriculture sector are formulated by the Ministry of Agriculture. The Peace Accords, in their Agreement on Social and Economic Aspects and Agrarian Situation², contain a number of resolutions for the agricultural sector. In particular, this agreement provides for the promotion of access of tenant farmers to land ownership and for the establishment of a support structure to enhance farmers' access to information, technology, training, credit, and marketing facilities.

10. Against the background of a high prevalence of rural poverty, strong population growth, and environmental degradation, the Government has developed specific policy objectives for the agriculture sector for the period until 2004.³ In order to improve living conditions in rural areas, the Government aims in particular to increase agricultural productivity through capacity-building measures, infrastructure investments, and increased certainty about property and tenure rights, and to increase crop diversification.

11. In 2000, Guatemala exported agricultural goods to a total value of US\$1,622 million, equivalent to 60% of its total exports.⁴ Guatemala is an important exporter of coffee, bananas, sugar, and cardamom. On the other hand, non-traditional agricultural goods produced for export, such as winter vegetables, berries, ornamental plants, and cut flowers, have grown rapidly. In addition to the traditional and non-traditional crops, Guatemala produces poultry meat, rubber, palm oil, sesame seed, and tobacco, among others.

¹ 1 quintal = 100 pounds.

² The agreement is available online, at: <http://www.minugua.guate.net/>.

³ Ministry of Agriculture (1999a).

⁴ Trade data are based on UNSD, Comtrade database, unless otherwise indicated.

12. In 2000, Guatemala imported some US\$673 million of agricultural products, of which about 45% came from the United States. Agricultural imports are led by bulk commodities, especially wheat, yellow corn, cotton, and vegetable oils. Import demand for yellow corn has been rising because of rapidly growing production of chicken, competition for land from the expanding non-traditional agricultural sector and due to decreasing domestic production.

13. For a number of agricultural products, largely tariffed items, bound rates exceed the 40% ceiling rate that applies to most other tariff lines. For example, final bound rates are 257% for poultry meat, 63% for bovine meat, and 103% for most dairy products (see also Chapter III(2)(iii)).

14. In order to expand market access opportunities to other WTO Members, tariff quotas are maintained for the following agricultural products: apples, corn, rice, wheat flour, and sugar (Chapter III(2)(iv)). Guatemala does not, however, maintain tariff quotas for products other than those tariffed in the Uruguay Round. Tariffs on agricultural products traditionally destined for domestic consumption, such as yellow corn, rice, and beans, are still significantly higher than the average tariff for the sector. While the average for agricultural products (WTO definition) is 10.2%, out-of quota tariffs are 35% for corn and 32.4% for rice. Minimum import prices were in operation for poultry meat until their temporary suspension in April 2001; imports values have more than tripled since 1996.

15. Most of the free-trade agreements concluded by Guatemala explicitly exclude various agricultural products. At the Central American level, imports of coffee, ethyl alcohol, sugars, and wheat flour are subject to bilateral import regimes. The Free-Trade Agreement with Mexico allows both countries to apply special safeguard measures for a list of specified agricultural products when imports of these products exceed certain levels. The agreement further establishes a Committee for Trade in Agricultural Goods, which serves as a negotiating forum and monitors trade in agricultural goods between the two countries and the measures taken. The CACM's Free Trade Agreements with Chile and the Dominican Republic do not contain special provisions for trade in agricultural goods.

16. Reflecting the sector's economic importance, Guatemala has participated actively in the ongoing WTO negotiations on agriculture. Guatemala has made proposals in this regard as part of the Cairns Group, which it joined in 1999. Guatemala has also called for the multilateral agricultural reform process to reflect the principle of special and differential treatment for developing countries, and for the process to be completed no later than 2003.⁵ With other Members, Guatemala has proposed the negotiation in the WTO of disciplines on export credits, credit guarantees, and insurance programmes for agricultural products.⁶

17. With the exception of land located in border areas, foreigners may own agricultural land without limit. Article 123 of the Constitution establishes that only Guatemalan citizens or companies incorporated by Guatemalans may own land located closer than 15 kilometres to the border.

18. Guatemala has notified to the Committee of Agriculture that it does not apply export subsidies and that it has not taken special safeguard measures. Furthermore, the authorities noted that, with the exception mentioned below, Guatemala does not provide any subsidies or fiscal incentives for the production, transportation, commercialization or consumption of agricultural products. The Government does not fix input prices for agricultural production and does not intervene in the process of commercialization. Furthermore, traditional agricultural export products, such as bananas, cardamom, coffee, and sugar, as well as wood products, are excluded from the benefits granted under both the Free Trade Zones and Maquila Laws.

⁵ WTO documents G/AG/NG/W/68, 28 November 2000, and G/AG/NG/W/113, 19 February 2001.

⁶ WTO document G/AG/NG/W/139, 21 March 2001.

19. The Ministry of Agriculture has established a programme to sell fertilizer at below-market prices to small and medium-sized agricultural producers. In 2001, about 550,000 farmers benefited from this scheme, saving them an estimated US\$9.98 million.

20. Further support to Guatemala's agriculture sector is provided through the FONAGRO and PROFRUTA funds, which have as objective the modernization of Guatemala's agricultural production. FONAGRO was established on 30 March 1994 by Governmental Decision 133-94 (amended by Ministerial Decision 176-96). It is endowed with Q 500 million and receives annual contributions of Q 35 million from the state budget. PROFRUTA was created by Ministerial Decision 540-99, with the particular objective of promoting the production of fruit and vegetables; its budget for 2001 amounts to Q 5,500,000. Both funds provide technical and financial support to small agricultural producers.

21. Hurricane Mitch caused major damage to Guatemala's agriculture in November 1998. According to estimations carried out by SEGEPLAN, the total financial loss for agricultural producers amounted to Q 1,356 million, with the banana and coffee industries being most seriously affected. In the aftermath of Hurricane Mitch, and following a drought in summer 2001, Guatemala received food aid from the World Food Programme and other donors.

(ii) Key subsectors

(a) Coffee

22. Coffee is Guatemala's single most important export product. On an area of 262,500 hectares, Guatemala produced around 7 million quintals in 2000, of which 6.4 million quintals were exported (Chart IV.1). Coffee is produced by around 60,000 small producers, of which about 16,000 are part of cooperatives or other organized producer groups, and by around 1,900 larger enterprises.⁷

23. Coffee exports in 2000 amounted to about US\$597 million. The largest share, about 48%, is destined to the United States, followed by Germany (13%). In recent years, coffee production has been affected by drastically decreasing international prices due to the appearance of new competitors, sluggish demand growth, high domestic interest rates, and increasingly difficult access to credits. In an effort to stabilize coffee prices, Guatemala agreed to participate in a scheme, together with other Central American countries and Mexico, to find alternative uses for low-quality coffee. In addition, the National Coffee Association has launched a nation-wide campaign to increase the domestic consumption of high-quality coffee.⁸

24. Guatemala's coffee producers are organized in the National Coffee Association (Anacafé), which was established by Decree 1397 of 4 November 1960 as a non-profit, public institution to represent the interests of coffee growers. Exporters must process their export licences through Anacafé. However, pursuant to Article 8 of the Coffee Law (Decree 19-69) of 22 April 1969, Anacafé does not interfere in the free commercialization of coffee. Furthermore, the Coffee Law established the Coffee Policy Council as an institution for the analysis, discussion, and coordination of issues relating to the national and international coffee market. The Council is composed of the Ministers of Agriculture, Finance, Economy, and Foreign Affairs; the President of the Central Bank; and the President of Anacafé.

⁷ Information provided by Anacafé.

⁸ *Financial Times*, 17 July 2001.

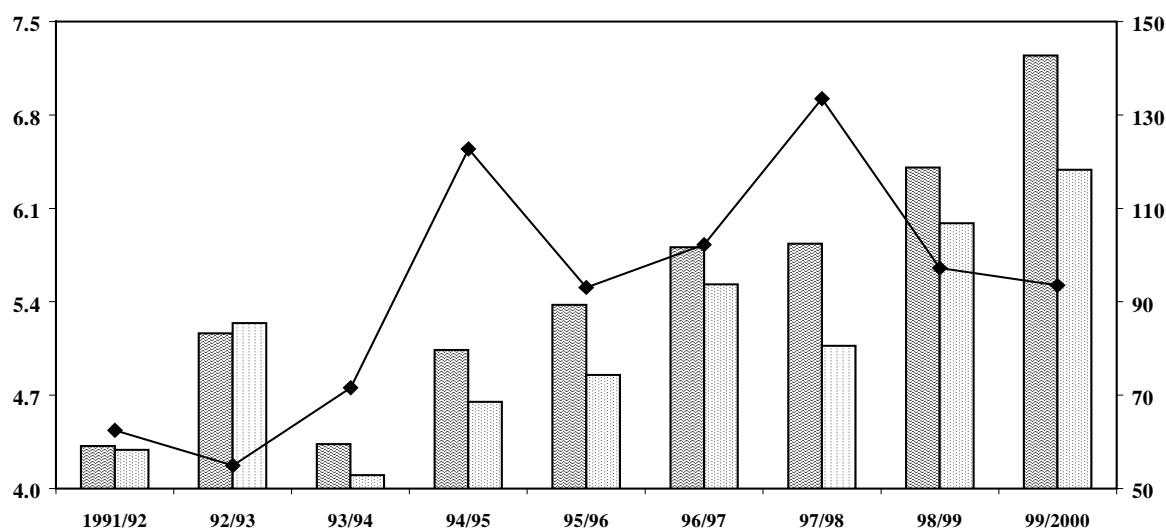
Chart IV.1

Production, export and export price for coffee and sugar, 1991-2000

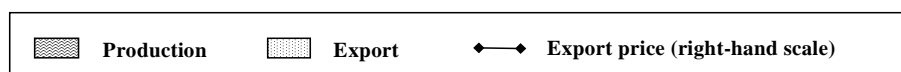
(a) Coffee

Mn quintales

US\$/quintal



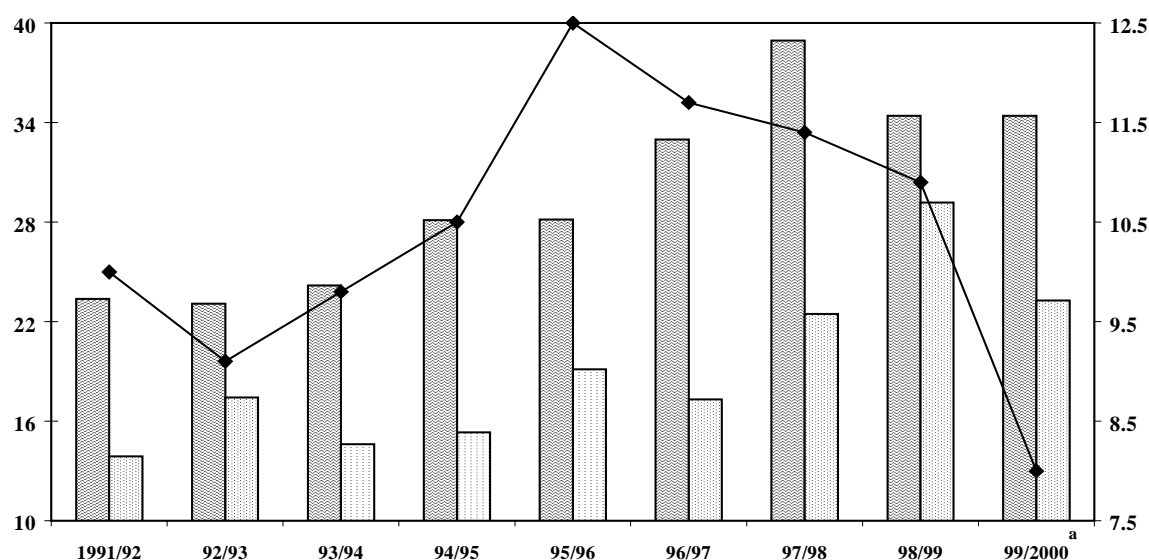
Note: Year caption refers to crop year beginning October up to September of the following year.



(b) Sugar

Mn quintales

US\$/quintal



a Estimate for production of CY 99/00; exports and prices based on data up to November 1999 only.

Note: Year caption refers to crop year beginning November up to October of the following year for production. Exports and prices are based on calendar year corresponding to the first year on the label.

Source: Asociación de Azucareros de Guatemala (ASAZGUA), Guatemala Information Center online information, available at: <http://www.proguat.org>; and Asociación Nacional del Café (Anacafé),

25. The imports tariffs on coffee is 15%. As coffee is among the products that are exempt from free-trade within CACM, this tariff applies equally for intra-regional trade.

26. Guatemala maintains export taxes on coffee. Pursuant to Article 1 of Decree 111-85 of 28 October 1985, coffee growers must pay 1% of the f.o.b. value of exported coffee, of which Q 0.10 is paid to the municipalities and the remainder to Anacafé.

(b) Sugar

27. Guatemala is the world's seventh largest sugar exporter. Its annual production in 2000 amounted to 1.7 million tonnes, of which 1.3 million tonnes were exported. The main export markets for Guatemalan sugar are, in descending order, the Republic of Korea, Russia, Canada, the United States, and Chinese Taipei. Growth in sugar production was robust during the 1990s until hurricane Mitch caused major damage to the industry in 1998. In the harvest year 2001, Guatemala's planted sugarcane area was estimated at 185,000 hectares.

28. Sales on the domestic market are shared between human consumption (72%), and industrial uses (28%); the soft drink industry is the major industrial demander. Furthermore, sugar molasses are used for the production of alcohol, whereas cane bagasse is utilized for the generation of electrical energy. According to the authorities, about 18% of Guatemala's electrical energy is generated by this means.

29. The import tariff on sugar is 20%; it applies equally to intra-regional trade with other CACM members as sugar is exempt from intra-regional free-trade. Sugar is also exempt from the Free-Trade Agreement with Mexico. The FTA establishes a Committee for Sugar Analysis, which determines, on a case-by-case basis, the conditions for bilateral sugar trade. According to the authorities, sugar imports were subject to a tariff rate quota in 2001 with a quota size of 5,000 tonnes.

30. Guatemala's sugar exporters benefit from quotas granted by the United States. For the tax year beginning 1 October 2000, the quota volume allocated to Guatemala was 50,549 tonnes.⁹ The additional income associated with this quota is considerable; according to the authorities, it amounted to US\$12.1 million in 2000.

31. Guatemalan sugar exports to Chile are subject to provisional safeguard measures.¹⁰ In this regard, the Government of Guatemala has requested consultations with the Chilean Government.¹¹ The authorities indicated that the outcome of these consultations is linked to the renegotiation of Chile's bound rates for sugar.

32. According to the authorities, for the last ten years sugarcane prices have been determined by a common agreement between producers and sugar mills, based on sales projections for the following year.

33. Sugar producers have established the Guatemalan Centre for Sugarcane Research (CENGICANÁ). The Centre's main objective is to increase sugar yields and improve varieties through research programmes and capacity-building measures. CENGICANÁ is financed by and subordinate to the National Sugar Producers Association ASAZGUA, a private organization of sugarcane growers and sugar mills.

⁹ United States Trade Representative Press Release 00-64, 21 September 2000.

¹⁰ WTO documents G/SG/N/8/CHL/1 and G/SG/N/10/CHL/1, 7 February 2000.

¹¹ WTO documents WT/DS220/1, G/L/433, G/AG/GEN/47, G/SG/D13/1, 10 January 2001.

34. The Food Enrichment Law (Decree 44-92) of 23 November 1992 and the Regulations for Vitamin A Sugar Fortification (Governmental Decision 497-93), establish that all sugar mills must add vitamin A to sugar destined for human consumption, and that imported sugar must be likewise fortified. According to the authorities, the industry invests US\$3.5 million a year on vitamin A.

(c) Bananas

35. After coffee and sugar, bananas constitute Guatemala's third-most important agricultural export product. Since the beginning of the 1990s, the area used for banana cultivation has been growing steadily (Table IV.2). The total export value of bananas in 2000 amounted to US\$178 million. Compared with prices for coffee and sugar, average banana prices have shown much less volatility. Banana plantations were affected more than other export crops by Hurricane Mitch in 1998 with an estimated damage of Q 648 million.¹²

36. The main export market for Guatemalan bananas is the United States, with sales of US\$155 million in 2000, followed by the European Union (US\$12 million) and El Salvador (US\$8.4 million). Guatemala participated as complainant in the original GATT Panel against the European Communities' import regime for bananas (Chapter II(i)).

Table IV.2
Banana production and export, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Production ('000 quintals)	10,524	10,650	12,519	14,010	14,870	15,363	15,440	12,352	14,204
Cultivated area ('000 manzanas ^a)	14.9	15.0	16.1	17.0	18.3	19.0	24.3	25.0	25.0
Average return (quintal per manzana)	706.3	710.0	777.6	824.1	812.6	808.6	635.4	494.1	568.2
Export ('000 quintals)	11,088	9,519	11,910	14,010	13,287	14,335	16,946	12,797	22,284
Export value (US\$ million)	103.1	98.7	114.3	138.6	155.2	151.1	190.9	132.5	209.2
Average export price (US\$ per quintal)	9.3	10.4	9.6	9.9	11.7	10.5	11.3	10.3	9.4

a 1 manzana = 0.7 hectares.

Source: WTO Secretariat, based on information provided by Guatemalan authorities.

37. Decree 31-81 of 8 September 1981, which declared banana growing of national interest, allowed banana exporters to enter into voluntary agreements granting tariff benefits against the payment of export taxes (Chapter III(3)(ii)). These contracts usually had a duration of twelve years. After abrogation of the respective decree by the Law on the Abolition of Fiscal Privileges (Decree 59-90) of 11 October 1990, the last contracts of this kind expired in 2000; sector-specific legislation for the cultivation and commercialization of bananas no longer exists.

(d) Cardamom

38. During the 1980s Guatemala became the world's largest exporter of cardamom spice. Total production has been rising steadily due to increased acreage under cultivation and to improved productivity (Table IV.3). Export values have shown a fluctuating pattern due to volatile world market prices. There is no sector-specific regulation for the cultivation or export of cardamom.

¹² Estimation by SEGEPLAN, provided by the Ministry of Economy.

Table IV.3
Cardamom production and export, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Production ('000 quintals)	275.0	285.0	330.0	344.4	362.0	380.0	387.6	395.0	400.0
Cultivated area ('000 manzanas ^a)	62.5	65.6	69.0	69.0	69.0	69.5	71.0	72.5	72.5
Average return (quintal per manzana)	4.4	4.3	4.8	5.0	5.2	5.5	5.5	5.4	5.5
Export ('000 quintals)	291.9	318.4	291.3	306.9	468.6	465.5	378.4	291.2	380.8
Export value (US\$ million)	32.0	39.3	42.1	40.7	39.3	37.9	36.6	56.5	96.2
Average export price (US\$ per quintal)	109.9	123.6	144.8	132.8	84.0	81.6	96.8	194.0	252.6

a 1 manzana = 0.7 hectares.

Source: WTO Secretariat, based on information provided by Guatemalan authorities.

(e) Non-traditional agricultural products

39. Since the early 1990s, the production of non-traditional agricultural goods has developed into an important branch of Guatemala's economy (Table IV.4). Non-agricultural products comprise berries, cut flowers, mangoes, melons, ornamental plants, and snow peas. According to information provided by Agexpront, the total export value of these products rose from US\$108 million in 1990 to US\$306 million in 1997¹³, which was about twice the value of banana exports. Although export values of non-traditional agricultural goods have stagnated since 1997, they have shown much smaller annual variations than export values for coffee or sugar.

Table IV.4
Export of selected non-traditional agricultural products, 1992-2000
(US\$ million)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
All non-traditional agricultural exports	151.0	167.0	206.0	282.0	292.0	321.0	320.0	306.0	314.9
Broccoli	..	7.4	6.2	10.4	16.6	16.3	18.1	22.2	20.5
Cut flowers	..	..	..	..	..	48.3	51.3	53.6	67.2
Mango	..	..	..	0.8	1.4	3.1	3.0	3.9	4.0
Melons	1.8	11.2	14.0	12.4	18.7	19.2	30.4	25.3	..
Snow peas	7.8	8.1	10.0	9.9	9.6	8.0	9.9	7.1	2.4

.. Not available.

Source: WTO Secretariat, based on information provided by Agexpront and the Guatemalan authorities.

40. Non-traditional agricultural products are eligible for the incentives granted under the Maquila and Free Trade Zone Laws. According to the Ministry of Economy, 292 agricultural enterprises and 151 enterprises involved in the commercialization of agricultural products benefited from the incentives; in 2000, these enterprises imported tax and duty-free equipment to the value of Q 374 million and raw materials for Q 1,216 million.

(f) Forestry

41. The authorities indicated that Guatemala exported forest products, including processed wood and furniture, for a total value of US\$36.8 million in 2000; the United States, El Salvador, Honduras, Italy, and Mexico were the most important markets.

¹³ Agexpront (2000), p. 19.

42. Guatemala's forestry sector is governed by Article 126 of the Constitution, and the Forest Law (Decree 101-96) of 31 October 1996 and its Regulations. Article 126 of the Constitution establishes that the exploitation of forest resources is reserved for Guatemalan persons. The authorities pointed out, however, that in practice foreigners may engage in forestry activities without any restrictions by incorporating a Guatemalan company. The main objectives of the Forest Law are reducing deforestation, increasing the productivity of the country's forests, promoting investment in forestry activities, conserving forest ecosystems, and improving living standards of communities living in and around the forests.

43. The Forest Law established the National Forest Institute (INAB) as the principal autonomous institution relating to Guatemalan forests. The Institute's Supervisory Board consists of the Ministers of Agriculture and Public Finance, and one representative respectively from the National Association of Municipalities, the National School for Agriculture, the Chamber of Industry, the universities engaged in forestry studies, and the National Association of Non-Governmental Organisations for Environmental Protection. INAB may grant forestry concessions for state-owned areas, which must be publicly offered, and licences for privately owned zones. Concessions have a duration of up to 50 years. A plan certifying the sustainable management of the respective forest must be submitted with the bid and becomes an integral part of the contract; the submission of such a management plan is also required for licences. The export of unprocessed wood chunks thicker than 11cm is prohibited, unless the wood comes from plantations registered by INAB. All exporting companies have to register with INAB.

44. Pursuant to Article 71 of the Forest Law, INAB may grant incentives for reforestation and management of natural forests to land owners and municipalities. For this programme a special position is reserved in the state budget, equal to 1% of total Government expenditure.

(g) Fishing and aquaculture

45. Guatemala's exports of fishery products amounted to US\$35 million in 2000, of which about 70% were shrimp. Both maritime fishing and shrimp farming are concentrated on the Pacific coast.

46. Article 127 of the Constitution establishes that all territorial waters are public property and that their use is governed by law and in accordance with social interest. The fishing sector is governed by the Fishery Law (Decree 1235) of 1932, the Law on Rational Exploitation of Maritime Resources (Decree 1470) of 23 June 1961, and various Governmental and Ministerial Decisions. The Ministry of Agriculture is responsible for policy formulation and the regulation of Guatemala's fishery and aquaculture sectors.

47. Both commercial maritime fishing and industrial aquaculture require a licence issued by the Ministry of Agriculture. Licence requirements are described by the Law on Maritime Fishing (Decree 1470) of 23 June 1961, and Governmental Decision 176-83 on Requirements for Aquaculture Licences. The national capital requirements for certain licences of maritime fishing were abolished by the Foreign Investment Law of 1998. The authorities noted that no preferential treatment is given to national enterprises in the allocation of licences; and the granting of licences is based on evidence on the degree of utilization of the resources and the socio-economic benefit for the population.

48. Companies engaged in fish and shrimp farming are entitled to the benefits provided by the Maquila and Free Trade Zone Laws. According to the Ministry of Economy, a total of 30 enterprises were allowed duty-free imports which amounted to Q 28.4 million for equipment and Q 69.7 million for raw materials in 2000.

49. Guatemala's exports of yellow fin tuna and related products are subject to an embargo by the United States (Chapter III(3)(viii)). The authorities noted that Guatemala had taken various measures in this regard, *inter alia*, joining the Inter-American Tropical Tuna Commission, ratifying the Agreement on the International Dolphin Conservation Program, and implementing an inspection programme to ensure that shrimp fishing methods protect sea turtles. The authorities further noted that Guatemala's exports of shrimps to the United States are subject to the condition that no harvesting technology is applied that may harm sea turtles.

50. As of mid-2001, the Ministry of Agriculture was in the process of defining a comprehensive approach for Guatemala's fishery sector. The authorities noted that a law on fishery and agriculture was under preparation and expected to be enacted in late 2001.

(3) MINING AND ENERGY

(i) Mining

51. The importance of the mining sector for the Guatemalan economy has traditionally been limited, although its contribution to GDP increased from 0.2% in 1991 to 0.6% in 1999. Production is concentrated in the extraction of non-metallic resources such as limestone, gravel, silicon, feldspar, marble, and gypsum. Mining of metals is less significant; the main resources are lead, zinc, silver, and antimony.

52. Most production is for domestic use; the cement, ceramics, construction and glass industries are the leading users of industrial minerals. In the year 2000, Guatemala exported mining products (excluding fuels) worth US\$50.6 million.

53. Guatemala's mining sector is governed by Articles 121 and 125 of the Constitution, and the Mining Law (Decree 48-97) of 11 June 1997 and its Regulations. Article 121 of the Constitution establishes that the subsoil and its deposits are public property. Furthermore, Article 125 of the Constitution establishes that the State should create favourable conditions for the exploration, exploitation, and commercialization of hydrocarbons, minerals, and other non-renewable natural resources. Policy for the mining sector is set by the General Direction of Mining of the Ministry of Energy and Mining. There are no specific sectors or geographical areas that are reserved for the Government or state-owned enterprises. Mining rights for specific geographical areas are allocated by public tender.

54. The Mining Law applies to all mining operations with the exception of hydrocarbons and substances that are dissolved in underground waters. According to Article 8 of the Law, all deposits on Guatemalan territory are owned by the State. Licences for mining rights may be solicited by nationals and foreigners alike without any difference in procedure. The granting of a licence is subject to the payment of various royalties.

55. Articles 85 to 88 of the Mining Law contain a number of provisions for the export of mining products and the import of necessary equipment. Pursuant to Article 85, all mineral exports must originate from a licensed exploitation or, if the exporter does not possess such a licence, be accompanied by a special export permit. Articles 86 to 88 established tariff and tax concessions for material and equipment necessary for the exploitation of mines; the authorities noted that these concessions were abolished in 1997 by Decree 117-97.

(ii) Energy

56. In December 2000, Guatemala's generating capacity amounted to 1,418 MW, 20.9% higher than the respective value in 1999. The contribution of privately owned power plants, which did not

exist until 1991, increased steadily during the 1990s. In December 2000, an estimated 893 MW or 63% of the total capacity was offered by private generators, mostly thermo-electric plants. Actual electricity production reached 5,947 GWh in 2000, of which 694 GWh were exported to El Salvador. The average spot price amounted to US\$60.84 per MWh.

57. The degree of electrification increased rapidly during the 1990s, up from 44% in 1991 to an estimated 76% of households in 2000. However there remain strong differences between urban and rural supply: while for Guatemala City it amounts to 98%, the average for rural areas is 52%. The Government's objective is to increase the nation-wide degree of electrification to 90% of households in 2004 and to 96% in 2006.¹⁴

58. Guatemala's transmission is divided into a principal and secondary system. Ownership of the principal transmission system is in state hands and its operation is shared with the generators; the latter own the secondary system, which links generators to the principal system.

59. Policies for energy industries are formulated by the Ministry of Energy and Mining. Guatemala's policy objectives in this field are detailed in the Indicative Plan for the Electric Subsector.¹⁵ A major objective of the Government is the promotion and facilitation of national and international investment in the energy sector and the increase of the degree of electrification.

60. Besides Article 129 of the Constitution, which declares the country's electrification a national urgency, Guatemala's energy sector is governed by the Electricity Law (Decree 93-96) of 6 October 1996 and its Regulations. The Electricity Law has demonopolized the energy sector and opened it to full private-sector participation. Foreign investment is allowed in all forms of electricity generation (including hydroelectric power), transmission, and distribution. In the course of the Government's privatization policy, the power plants of the state-owned electricity company EEGSA were sold to the U.S.-owned Guatemalan Generating Group in 1997 and 1998; two main distribution companies were sold to international consortia.

61. The Electricity Law established that electricity generation does not require an authorization of the State. An authorization is required only for transmission lines and power plants that require the utilization of public property. Prices may be set freely with the exception of prices for transmission and distribution services subject to authorization. The Electricity Law further established the National Commission for Electric Energy as a regulatory authority to, among other things, supervise the implementation of the Law, develop technical regulations for the electricity sector, and set rates for transmission and distribution services subject to regulation. The Commission is composed of three members nominated by the country's university presidents, the Ministry for Energy and Mining, and the major suppliers of electricity.

62. The Law establishes that electricity producers with a generating capacity of more than 5 MW that wish to engage in transmission or distribution must do this through a separate enterprise. It also gives the Administrator of the Wholesale Market responsibility for coordinating the operations of generating companies, international interconnections and national transmission lines in a cost-minimizing way, and for setting transmission prices when these have not been set by contract. Local service providers are obliged to connect and provide electricity to any interested party in their area of jurisdiction. The Law does not contain regulations providing for different treatment of foreign-owned enterprises.

¹⁴ Ministry for Energy and Mining (2001), p. 14.

¹⁵ Ministry for Energy and Mining (2001).

63. Guatemala has initiated several projects with its neighbours to increase the reliability of power supplies. The authorities are currently analysing the feasibility of an interconnection with Mexico's electricity grid as of 2006. In addition, Guatemala, five other Central American countries – El Salvador, Honduras, Nicaragua, Costa Rica, and Panama – and the Spanish enterprise ENDESA have agreed on a project known as SIEPAC (Sistema de Interconexión Eléctrica de los Países de América Central), which would interconnect their transmission grids, allowing power to flow between the different countries by 2004. With Panama already linked to Colombia's grid, SIEPAC could eventually result in the connection of the North and South American power grids. For this project, the authorities expected the disbursement of a US\$300 million loan from the Inter-American Development Bank to the participating countries by the end of October 2001.

64. Against the background of Guatemala's potential in geothermal and hydroelectric energy, the Government is undertaking particular efforts to increase the use of renewable energy. According to the authorities, a law to promote the development of renewable energy, which was under preparation at of mid-2001, provides for fiscal incentives to promote investment in the generation of renewable energy. In addition, the authorities planned to open an information and promotion centre on renewable energy in order to disseminate information, support feasibility studies, and co-finance projects in this area.

(iii) Hydrocarbons

65. Guatemala is the only petroleum-producing country in Central America. Its oil and gas reserves are concentrated in the northern jungle region of Petén. Oil reserves are estimated at 526 million barrels, and natural gas reserves at 109 billion cubic feet. As of March 2001, oil production amounted to about 20,000 barrels per day. Guatemalan crude oil is used for the production of asphalt, most of which is destined to other Central American countries, and for export. All producing or refining companies are foreign-owned. As petroleum consumption exceeds both domestic production and domestic refining capacity, Guatemala is a net importer of petroleum, mostly in the form of refined products. According to Comtrade, Guatemala imported petroleum for US\$631 million in 2000.

66. The authorities noted that Guatemala receives a share of the maximum 160,000 oil barrels per day supplied by Mexico and Venezuela under the San José Pact between those two countries and ten Central American and Caribbean countries. Oil is priced at market rates, with part of the revenue used to finance development projects. The Caracas Energy Cooperation Accord, signed in October 2000 but not in force at of October 2001, adds 10,000 barrels per day of Venezuelan oil. While this oil is also priced at market rates, the Accord provides for the possibility of credit buying.

67. The production of hydrocarbons is governed by the Law on Hydrocarbons (Decree 109-83, amended by Decree 161-83) of 15 September 1983 and its General Regulations, the Regulations on Tender Procedures for Hydrocarbon Exploration and Exploitation Contracts (Governmental Decision 754-92), the Invitation to Bid for Exploration and Exploitation Contracts (Governmental Decision 764-92), and the Regulations for Contractors and Subcontractors in the Petroleum Sector (Governmental Decision 299-84). Issues relating to the commercialization and import of hydrocarbons are governed by the Law on the Commercialization of Hydrocarbons (Decree 109-97) of 26 November 1997 and its Regulations. Policies related to hydrocarbons are formulated by the General Direction of Hydrocarbons of the Ministry of Energy and Mining.

68. The Law on Hydrocarbons established the National Petroleum Commission, which is composed of the Minister for Energy and Mining, one representative respectively of the Ministries of National Defence, Finance, Economy, and Public Affairs, and one representative of the Central Bank. The Commission is responsible for issuing opinions on issues relating to exploration or extraction contracts and for the fixing of export prices for crude oil.

69. Exploration and extraction contracts are governed by Articles 60 to 62 of the Law. Contracts may not extend to more than 480,000 hectares for exploration and 150,000 hectares for extraction. Royalties to be paid to the State depend on the petroleum's API gravity. The Regulations on Tender Procedures for Hydrocarbon Exploration and Exploitation Contracts and the Invitation to Bid for Exploration and Exploitation Contracts further specify the contracting procedures, establish minimum requirements for the respective contracts, and determine royalty fees.

70. The Law on Hydrocarbons established the possibility of production-sharing arrangements between the State and the contractor. The share of the State must amount to at least 30% of net production. In 2000, total state income from petroleum production was US\$54.6 million, of which US\$9.1 million was from royalties and US\$45.1 million from production-sharing arrangements.

71. The objective of the Law on the Commercialization of Hydrocarbons is to establish a competitive market for petroleum products by facilitating market entry and promoting private-sector investment. Under the Law, any natural or moral person may engage in importing or selling petroleum products. The required licences for importation, exportation, storage, transport, and refinement of hydrocarbons may be obtained at the Direction of Hydrocarbons. The respective regulations do not contain nationality requirements for licences or provide for different treatment of foreign-owned companies. In contrast to other sector-specific legislation, the Law provides for the possibility of fines if companies engage in anti-competitive measures such as price-fixing agreements.

72. Pursuant to Decree 38-92 of 1 July 1992 (amended by Decree 74-98), crude oil and fuels are subject to a specific tax. As of August 2001, the tax ranges from US\$0.06 per gallon for kerosene to US\$0.48 per gallon for superior gasoline. Power plants using crude oil or fuels for the generation of electrical energy are exempt from the payment of this tax.

73. In December 1999, Guatemala and Mexico signed an agreement to facilitate private investment for the construction of one or more pipelines to export natural gas from southern Mexico to Guatemala. The authorities indicated that the regulatory framework for the respective investment projects was under preparation. They also stated that investors could determine the most adequate route, but would have to present a feasibility study of the suggested project. As of August 2001, the Guatemalan and Mexican authorities were evaluating a possible extension into El Salvador.

(4) MANUFACTURING

74. Although value-added in real terms has increased, the relative contribution of the manufacturing sector to Guatemala's GDP decreased steadily during the 1990s from 14.9% in 1991 to 13.4% in 2000. Manufacturing output and exports are largely concentrated in the processing and packaging of agricultural products, geared to the domestic, U.S., and Central American markets (Table IV.5). Other sectors include the production of footwear, textiles, metals, and chemical products.

75. In 2000, Guatemala exported manufactured products for US\$865.4 million; chemicals and other semi-manufactures were the most important subsectors. On the import side, machinery, vehicles, chemical and processed mineral products (largely fuels) dominated. Guatemala imported manufacturing goods for US\$4,621 million in 2000. However, foreign trade under the Maquila and Free Trade Zones Laws (Chapter III(3)(v)) is not recorded in official trade statistics. This may lead to a strong underestimation of actual exports, in particular in textiles and apparel. According to information provided by the Association of Exporters of Non-traditional Products, the value-added incorporated in exports of apparel and textiles rose from US\$67.6 million in 1990 to US\$422 million in 2000. The authorities highlighted the temporary nature of imports under the Maquila and Free

Trade Zones Laws as the main rationale for not registering the respective trade flows in their commodity trade statistics.

Table IV.5
Manufacturing industry, 1995-2000
(Q million (1958))

	1995	1996	1997	1998	1999	2000
Contribution to GDP	589.9	601.1	617.4	639.8	656.0	669.4
Food manufacturing excluding beverages	166.9	170.7	175.9	182.6	186.8	188.7
Manufacture of beverages	80.0	81.7	84.3	87.3	90.0	92.8
Tobacco industry	26.2	26.8	27.5	28.3	29.1	29.9
Textile manufacturing	51.5	52.3	53.5	55.4	56.8	57.8
Manufacture of footwear	55.9	56.6	57.8	60.0	61.3	62.7
Wood industry excluding furniture	9.7	9.8	10.0	10.4	10.7	11.0
Manufacture of furniture and fixtures	10.7	10.8	11.1	11.5	11.8	12.1
Paper and paper products manufacture	9.0	9.1	9.4	9.7	10.0	10.2
Printing, publishing and related industry	8.7	8.8	9.0	9.3	9.6	9.9
Leather industry	3.8	3.8	3.9	4.1	4.2	4.3
Manufacture of rubber products	7.7	7.8	8.1	8.4	8.6	8.9
Chemical industries	16.0	16.3	16.7	17.3	17.9	18.2
Non-metallic mineral products	22.2	22.5	23.0	23.8	24.4	25.0
Basic metal industries	35.7	36.3	37.3	38.5	39.6	40.6
Machinery except electrical machinery	4.8	5.0	5.1	5.3	5.4	5.5
Manufacture of electrical machinery and other apparatus	5.5	5.6	5.7	5.9	6.1	6.2
Manufacture of transport machines	5.2	5.3	5.5	5.7	5.8	5.9
Other miscellaneous manufacturing industries	70.5	72.0	73.6	76.5	78.3	79.7
Total manufacturing exports (US\$ million)	545.6	624.3	708.3	847.1	838.7	865.4

Source: WTO Secretariat, based on information from Bank of Guatemala and UNSD, Comtrade Database.

76. Although only limited data are available on trade taking place under the Maquila and Free Trade Zones regimes, information provided by the Ministry of Economy indicated that in June 2001 there were 866 enterprises benefiting from the Maquila Law and another 90 enterprises operating in free-trade zones. Of these enterprises, 463 were engaged in the production of apparel and 292 were producers of non-traditional agricultural goods. Other important activities include the production of plastics, pharmaceuticals, and chemicals as well as commercialization of agricultural products.

77. In 2000, total imports of enterprises benefiting from the Maquila and Free Trade Zones regimes amounted to Q 20,693 million for raw materials and Q 4,744 million for equipment. The apparel industry was the largest importer: raw material imports amounted to Q 15,476 million and equipment imports to Q 2,629 million.

78. According to the authorities, the State is not involved in manufacturing activities. Within the Government's export promotion policy, financial support is limited to the incentives granted under the Maquila and Free Trade Zones Laws. Aside from these special export regimes, there is no specific programme or legislation providing support for the manufacturing sector.

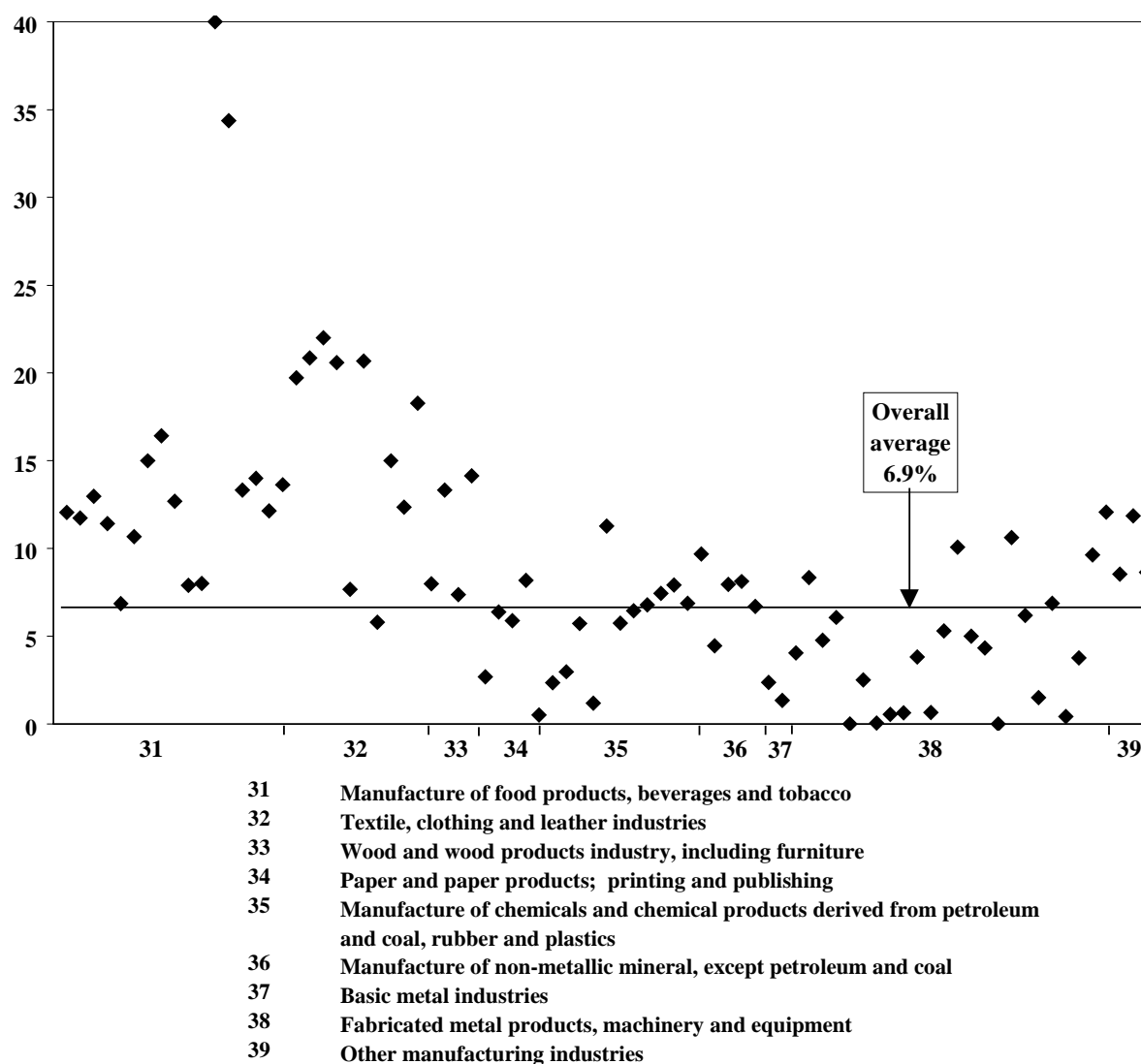
79. With the notable exception of some agri-industrial activities, Guatemala has generally restricted the use of trade policy measures as instruments of industrial policy. Based on the ISIC definition of the sector, the average tariff for the manufacturing was 6.9% as of May 2001.¹⁶ Much higher tariff protection was provided to industries such as alcoholic beverages and textiles (Chart IV.2).

¹⁶ Based on the WTO classification for agricultural products, the average tariff for the non-agricultural sector was 6.4%.

Chart IV.2

Tariff protection in the industrial sector 2001^a

Per cent



^a By 4-digit ISIC category.

Source: WTO Secretariat estimates, based on data supplied by the Guatemalan authorities.

80. Besides tariff protection and special export regimes, measures to promote industrial development include small-enterprise development programmes (Chapter III(4)(ii)(a)), research assistance activities (Chapter III(4)(ii)(b)), and support for export marketing (Chapter III(3)(vii)).

81. Guatemalan apparel and textile exports to the United States are subject to quotas, which are administered by the Guatemalan Government. Data provided by the authorities indicate that these amounted to US\$1,434 million in 2000, representing 97% of total exports in the sector.

(5) SERVICES**(i) Principal characteristics**

82. In 2000, the services sector's contribution to GDP was just over 57%, up from about 54% in 1990. While commerce has traditionally been Guatemala's dominant service subsector, growth rates during the 1990s were particularly high in telecommunications and tourism (Table IV.6).

Table IV.6
Performance of principal services sectors, 1991-2000

Sector	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Value-added (Q million (1958))										
Commerce	850.2	888.4	924.5	977.2	1,036.3	1,064.6	1,103.9	1,162.9	1,199.9	1,239.7
Telecommunications	82.9	90.5	98.1	102.3	117.3	121.8	131.4	141.7	156.0	179.4
Transportation	188.8	201.6	222.7	231.8	242.2	250.8	263.3	282.8	297.3	305.3
Financial services	139.1	149.0	170.6	184.3	202.4	213.8	226.0	244.9	257.7	265.1
Generation of foreign exchange (US\$ million)										
Tourism	211.3	243.2	265.4	258.0	276.6	284.3	325.2	394.1	570.1	535.1

a Preliminary.

Source: Bank of Guatemala.

83. According to Central Bank data, Guatemala exported services amounting to US\$1,256 million and imported services to US\$1,196 million in 2000. Reflecting the growth rates of Guatemala's services sector, formal employment increased more rapidly than in other sectors during the 1990s. Whereas less than 47% of the employees insured with the Guatemalan Social Security Institute worked in this sector in 1990, the share rose to 57% in 1999.

84. As a consequence of the Government's privatization policy between 1997 and 1999, state involvement in services has decreased significantly. There is no state involvement in tourism, postal services, and air transport. State-owned enterprises remain in financial services activities and in telecommunications, but represent only a minor share of respective output. Most exemptions to national treatment were eliminated with the enactment of the Foreign Investment Law in 1998.

(ii) Overall commitments under the GATS and other agreements

85. The scope of Guatemala's Schedule of Specific Commitments under the WTO General Agreement on Trade in Services (GATS) is limited, including commitments in only five of the twelve categories of services¹⁷: business, communications, financial, tourism, and transport services (Table IV.7). In general, Guatemala's GATS commitments tend to bind the policy framework in place at the time of the Uruguay Round negotiations. In most cases, recent changes have made the applied policy more liberal than those commitments.

86. For financial services, telecommunications, and tourism, Guatemala's Schedule contains specific regulatory requirements. Foreign financial institutions must be legally established in Guatemala in order to provide their services to Guatemalan natural or moral persons. For hotel, lodging and meal services, the presence of natural persons is restricted to senior and specialized personnel related to a commercial presence to the extent required for training Guatemalan personnel. Regarding cross-border supply of telecommunications services, the Schedule indicates that international traffic must be routed through the facilities of an enterprise with a frequency user's title or Telecommunications Registration Certificate issued by the Superintendency of Telecommunications.

¹⁷ WTO document GATS/SC/36 of 15 April 1994.

Table IV.7
Summary of Guatemala's commitments under the GATS^a

Summary of Guatemala's commitments under the GATS					Market access				National treatment			
Modes of supply:												
Cross-border supply					1				1			
Consumption abroad					2				2			
Commercial presence					3				3			
Presence of natural persons					4				4			
Commitments (■ full; □ partial; □ no commitment; – not appearing in Schedule)												
Commitments in specific sectors												
1. Business services												
B. Computer services					■	□	■	□	■	□	■	□
2. Communications services												
C. Telecommunications services												
a. Telephone services					□	■	■	□	■	■	■	□
b. Packet-switched data transmission services					□	■	■	□	■	■	■	□
c. Circuit-switched data transmission services					□	■	■	□	■	■	■	□
d. Telex services					□	■	■	□	■	■	■	□
e. Telegraph services					□	■	■	□	■	■	■	□
f. Facsimile services					□	■	■	□	■	■	■	□
g. Private leased circuit services					□	■	■	□	■	■	■	□
h. Other telecommunications services					□	■	■	□	■	■	■	□
3. Construction services												
					–	–	–	–	–	–	–	–
4. Distribution services												
					–	–	–	–	–	–	–	–
5. Education services												
					–	–	–	–	–	–	–	–
6. Services related to the environment												
					–	–	–	–	–	–	–	–
7. Financial services												
A. Insurance services												
a. Reinsurance of policies					■	■	□	□	■	□	□	□
B. Banking services												
a. Supply and transfer of financial information					■	■	□	□	□	□	□	□
e. Financial advisory services					■	■	□	□	□	□	□	□
C. Other					–	–	–	–	–	–	–	–
8. Social and health services												
					–	–	–	–	–	–	–	–
9. Tourism and travel-related services												
A. Hotels and restaurants												
a. Hotel and lodging services					□	■	■	□	□	■	■	■
b. Meals services					□	■	■	□	□	■	■	■
B. Tourist marina operators					□	■	■	□	□	■	■	■
10. Leisure and sports services												
					–	–	–	–	–	–	–	–
11. Transport services												
C. Air transport services												
a. Repair and maintenance services					■	■	■	□	■	■	■	□
b. Sale or marketing of transport services					□	■	□	□	□	□	□	□
c. Computer reservation services					■	■	■	□	■	■	■	□
12. Other services												
					–	–	–	–	–	–	–	–

a The only authentic source of information on these commitments is Guatemala's Schedule of Specific Commitments contained in documents GATS/SC/36 (15 April 1994) and GATS/SC/36/Suppl.1 (29 November 1999).

Note: Subsectors not listed under each sector do not appear in the Schedule.
There are horizontal limitations in mode 4.

Source: WTO Secretariat.

87. Under the horizontal section in Guatemala's schedule, market access involving the presence of natural persons is unbound, except for higher-level and specialized personnel who must contribute to the training of Guatemalan personnel in the fields of activity concerned. National treatment is also

generally unbound with the exception of the personnel mentioned in the market access regulations. National treatment for all four modes of supply is limited by Article 45 of the Income Tax Law (Decree 26-92) of 9 April 1992, which establishes specific taxation rules for natural or legal persons not domiciled in Guatemala.

88. Guatemala's Final List of Article II (MFN) Exemptions excludes from MFN treatment measures in all sectors stemming from the various CACM agreements; the Convention on investment guarantees with the United States and Governmental Decision 693-86 of 22 September 1986 to implement this Convention; the Agreement on Trade and Investment between Central American countries and Colombia and Venezuela concluded on 12 February 1993; and the Tuxtla Gutiérrez Agreements between Central American countries and Mexico concluded on 11 January 1991.¹⁸ These measures are indefinite; their main justification is the maintenance of preferences.

89. Apart from Article 16, which establishes the principle of national treatment for the construction industry, the Central American Integration Treaty does not contain provisions covering national treatment in the services sector. The authorities noted that negotiations on a service and investment agreement within the framework of the CACM had been without progress since January 2000. Negotiations for a customs union with El Salvador, Honduras, and Nicaragua also foresee an agreement to regulate trade in services between the four countries (Chapter II(4)(ii)). The authorities further noted that Guatemala maintains arrangements on transport services with some of its regional trading partners.

90. In the Free Trade Agreement with Mexico, service issues are covered in Chapters X (general provisions and cross-border supply), XI (financial services), XII (telecommunications), and XIII (presence of natural persons). The agreement establishes the principles of MFN treatment and national treatment for cross-border supply of services between the two countries, and a Committee on Trade in Services and Investment, which supervises the mutual commitments and discusses issues related to service trade and investment. The authorities noted that issues relating to terrestrial transport between Guatemala and Mexico would be subject to further negotiations. Furthermore, the CACM's free trade agreements with the Dominican Republic and Chile establish the principle of MFN treatment for trade in services between the contracting parties. The free-trade agreements concluded by Guatemala do not accord privileges on foreign investment that go beyond the Foreign Investment Law.

(iii) Banking and insurance

91. Guatemala's supervised financial sector is dominated by commercial banks operating at the centre of financial conglomerates, which typically also include investment banks, and insurance and bonding companies. The assets of the supervised banking system were equivalent to 37% of GDP in 2000, which is about half the size of those in other CACM member countries with the exception of Costa Rica. Offshore activities are not subject to supervision but are an important component of the banking system; although no reliable information exists, the authorities indicated that according to some estimates offshore banking accounts for more than 70% of the assets in the regulated system. Guatemala did not participate in the WTO extended negotiations on financial services.

¹⁸ WTO document GATS/EL/36 of 15 April 1994. The Tuxtla Gutiérrez agreements aimed to establish a free-trade area, comprising of Mexico and the Central American States, by 1996. The agreements were concluded bilaterally between Mexico and each Central American country.

(a) Banking

92. Guatemala's banking sector comprises 30 commercial banks, 20 investment banks and one savings bank. Investment banks perform virtually all banking operations except for maintaining current accounts and engaging in foreign trade transactions. In December 2000, commercial banks had assets of almost Q 49,500 million, equivalent to about 88% of the supervised financial system's assets and 34% of GDP. Six commercial banks, with about 9% of the banking system's assets, are foreign-owned; four commercial banks, with a 12% share of assets, have state capital. Four new banks have initiated operations since 1995. In December 2000, Guatemala's investment banks had assets of about Q 4,850 million, equivalent to some 3% of GDP. Interest rates are set by the market.

93. Guatemala's banking sector appears to be characterized by a high degree of instability and institutional weakness and a relatively low level of competition. Since the liberalization of interest rates in 1989, the average spread between lending and borrowing rates has ranged between 8% and 15%; in August 2001 it was 10.6%. The share of non-performing loans in total loans has been increasing steadily since 1997 and attained 14.9% in August 2001. In January and March 2001, the Monetary Board intervened in three banks with financial problems. On the instruction of the Monetary Board, the Central Bank lent Q 1,703 million to the three banks to enable them to continue operations and to guarantee deposits. The authorities noted that these banks, as well as intervened investment banks, have been liquidated.

94. The banking sector is monitored by the Superintendency of Banks (SIB). SIB is a technical supervisory body operating under the direction of the Monetary Board, Guatemala's foremost monetary policy authority, which in practice exerts strong influence over SIB (Chapter I(2)(iii)).

95. The principal regulations governing the Guatemalan financial system are listed in Table IV.8. In addition to these laws and regulations, Guatemala's banking sector is governed by decisions of the Monetary Board.

Table IV.8
Principal laws and regulations governing the financial sector, including insurance

Name of law	Number	Date
Law on Money	Decree 203	29 November 1945
Law on Bonding Companies	Decree 208	12 May 1964
Law Establishing the Central Bank	Decree 215	11 December 1945
Bank Law	Decree 315	30 November 1946
Law on Savings Banks and its Regulations	Decree 541	30 January 1954
Law on Mortgages	Decree 1448	7 June 1961
Law on Investment Banks	Decree 470	12 May 1964
Insurance Law and its Regulations	Decree 473	4 May 1966
Law on Deposit Facilities and its Regulations	Decree 1746	27 March 1968
Transitory Law on the Exchange Rate Regime	Decree 22-86	6 May 1986
Regulations for the Incorporation of Banks	Governmental Decision 696-93	26 November 1993
Stock Market Law	Decree 34-96	22 May 1996
Law on the Specification of Money	Decree 139-96	28 November 1996
Law on the Protection of Savings	Decree 5-99	11 February 1999
Law on the Domestic Use of Foreign Exchange (<i>replacing the Transitory Law on the Exchange Rate Regime as of 1 May 2001</i>)	Decree 94-2000	19 December 2000

Source: WTO Secretariat, based on information provided by the Guatemalan authorities.

96. According to a self-evaluation carried out by the authorities in April 2000, Guatemala complies to a large extent with three of the 25 Basel Core Principles for Effective Banking Supervision, and has adopted the Basle standards for capital adequacy. Furthermore, the Law on the Protection of Savings (Decree 5-99) of 11 February 1999 instituted a limited deposit insurance scheme. The Law requires that all banks jointly establish a trust to serve as a deposit insurance fund. As of October 2001, however, this system was not yet operational.

97. The Law on the Domestic Use of Foreign Exchange (Decree 94-2000), which has been in force since 1 May 2001, allows financial institutions to accept foreign currency deposits and grant foreign currency credits (see also Chapter I). The Law is expected to lead to an increase in U.S. dollar deposits, bolstering confidence in the banking system and possibly helping to reactivate credit growth. According to estimates provided by the authorities, 2.8% of deposits and 19% of credits were denominated in U.S. dollars as of 31 August 2001.

98. In mid-2001, there were plans for a comprehensive reform of Guatemala's financial sector legislation.¹⁹ To this end, the Monetary Board had submitted various draft laws to the President of the Republic for consideration, including new legislation on financial supervision. Although the proposed legislation provides for more independence of the Central Bank and introduces price stability as an explicit goal of monetary policy, the Central Bank and SIB will remain subordinate to the Monetary Board whose members are often politically appointed. The authorities highlighted that the draft legislation would lead to better compliance with international financial standards.

99. Registration and approval procedures for banks are laid out in the Bank Law, and the Regulations for the Incorporation of Banks, contained in Monetary Board Decision JM-329-97. Authorization for the incorporation of a new bank is granted by the Monetary Board following a SIB recommendation. Any request must be submitted to SIB, accompanied, *inter alia*, by: information about capital endowment and legal form; a feasibility study comprising financial projections and a market analysis justifying the incorporation; and information about the board members, executive staff, and shareholders. According to Article 8 of the Bank Law, SIB analyses the request taking into account the general and local economic conditions and public interest.

100. According to the Regulations for the Incorporation of Banks, the minimum capital requirement to incorporate a bank is fixed by the Monetary Board and published in the *Official Gazette*. Pursuant to Monetary Board Decision JM-251-99 and SIB Decision 13-2001, the amount is currently Q 53 million for commercial banks and Q 22 million for investment banks. Domestically chartered banks may have full foreign ownership. The authorities emphasized that so far no request for an establishment of a foreign-owned bank had been denied.

101. Foreign banks may establish branches or subsidiaries in Guatemala subject to approval by the Monetary Board. In addition to the documents required for the establishment of a new bank, the following must be submitted: the parent bank's original charter, certified financial statements for the preceding five years, a certificate of good standing issued by the regulatory authority of the country of origin, and certified acceptance by the parent company that the branch will be subject to Guatemalan legislation and jurisdiction. To establish a branch or subsidiary in Guatemala, a foreign bank must have been in operation in its country of origin for at least five years. Pursuant to Article 7 of the Regulations for the Incorporation of Banks, applications from foreign banks whose home countries do not grant reciprocal treatment to Guatemalan banks are not to be considered by SIB.

¹⁹ For further information on the envisaged reform of Guatemala's financial sector see Bank of Guatemala (2001).

102. Once established, subsidiaries and branches of foreign banks are subject to the same legal regulatory framework as banks domiciled in Guatemala, as well as to the jurisdiction of the Monetary Board and SIB, and may provide the same services. There are no national ownership requirements on head offices, subsidiaries or branches, with the exception of cases where reciprocal treatment is not granted to Guatemalan banks, nor national management requirements on board members. Foreign branches do not require a board of directors; however, at least one officer in charge of the branch must be domiciled in Guatemala. This officer must be a Guatemalan citizen or a resident alien with a work permit.

103. Pursuant to Article 91g of the Bank Law, banks are prohibited from offering insurance services to their clients. There is no obligation on Guatemalan companies to employ specific banking institutions for their operations. Furthermore, the authorities pointed out that there was no restriction to national treatment in Guatemala's banking sector.

104. In June 2001, the Financial Action Task Force on Money Laundering placed Guatemala, together with five other countries, on a list of "non-cooperative countries and territories".²⁰ The Task Force deemed these jurisdictions to have seriously deficient control over money laundering. The authorities noted that Monetary Board Decision JM-191-2001 contained regulations to prevent and detect money laundering to be applied by supervised banks. In addition, a law against money laundering was expected to be enacted in October 2001.

(b) Insurance and bonding

105. There are 18 insurance companies and 13 bonding companies operating in Guatemala; 22 of these companies also offer reinsurance services. Three of the insurance companies have been established since 1995. As of December 2000, the total assets of Guatemala's insurance companies accounted for 3.1% of the supervised financial system; this low share is partly attributable to the pension system being under the aegis of the public sector. The Guatemalan insurance market is regulated by the Executive Power, the Monetary Board, and SIB in accordance with the Insurance Law (Decree 473) of 4 May 1966 and its Regulations. One insurance company and one bonding company are state-owned.

106. Licences for insurance providers and bond managers are granted according to the following procedure. Any interested enterprise must submit a formal request to SIB, accompanied by a description of its statutes and planned activities as well as the names of its shareholders. The request is subsequently evaluated by the Superintendency, which communicates the results of its analysis to the Ministry of Economy. Pursuant to a positive decision of the Ministry and SIB's approval of its rates, the enterprise may be inscribed in the Register of Insurance Companies and initiate its operations. The minimum capital requirement is Q 3 million for life and liability insurance and Q 2 million for other types of insurance and bonding companies; for the first five years of a company's operation an additional 25% of these sums is required. Insurance companies are not allowed to offer services other than insurance or reinsurance. Pursuant to the Regulations of the Insurance Law, SIB must approve insurance tariffs.

107. Foreign insurers may incorporate a Guatemalan insurance enterprise in accordance with the provisions laid down in the Insurance Law and may sell all types of insurance. However, the Insurance Law prohibits the establishment of branch offices by foreign insurers, or representative offices to promote life insurance activities by foreign moral or natural persons.. The authorities further noted that there are no obligations on domestic enterprises to employ specific insurance companies and that, in accordance with the Foreign Investment Law, there are no restrictions to national treatment.

²⁰ *OECD News Release*, 22 June 2001.

108. The Insurance Law establishes a number of restrictions that prohibit Guatemalan residents or companies contracting certain insurance services abroad. These exceptions from the principle of free consumption abroad include life insurance for persons domiciled in Guatemala, automobile liability for vehicles registered in Guatemala, and other kinds of indemnity insurance against risk for goods located in Guatemalan territory. Guatemalan nationals may conclude reinsurance contracts with foreign companies provided that the foreign reinsurance company is registered with SIB.

(iv) Communication services

(a) Telecommunications

109. Telecommunications has been among the fastest growing service activities in the Guatemalan economy. In 2000, an estimated 678,000 fixed telephone lines were in operation (Table IV.9). Fixed-net services are currently provided by fourteen network operators; in all of these foreign companies hold the capital majority. Wireless telephony, which is offered by four service providers, has recorded explosive growth since the mid 1990s. In 2000, the number of mobile telephone subscribers overtook the number of fixed connections. Due to its large rural population and income level, however, Guatemala still has a relatively low penetration rate for telephone services.

Table IV.9
Telephone connections in Guatemala, 1990-2000
(‘000)

Net	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Mobile	0.3	1.2	2.1	3.0	10.5	30.0	43.4	64.2	111.4	337.8	843.1
Fixed	190.2	202.2	214.4	231.1	245.1	286.3	338.0	429.7	517.0	610.7	678.3
Total	190.5	203.4	216.6	234.1	255.6	316.3	381.5	493.9	628.4	948.5	1,521.4

Source: Guatemalan authorities.

110. Guatemala's telecommunications sector is regulated by the Telecommunications Law (Decree 94-96, amended by Decree 115-97) of 17 October 1996, the Regulations for International Telephone Services (Governmental Decision 408-99) of 25 June 1999, and the Regulations for Satellite Systems (Governmental Decision 574-98) of 2 September 1998.

111. The Ministry of Infrastructure has overall responsibility for the telecommunications market in Guatemala. The Superintendency of Telecommunications (SIT), a semi-autonomous government body set up in November 1996, is responsible for regulating the sector and for the implementation of the Telecommunications Law. SIT's activities include the administration of the radio wave spectrum and the inscription of new operators. The Superintendency is also responsible for the authorization of satellite systems and related facilities, and of the Register of Telecommunications, the National Plan of Telephone Numbers, and the administration of the radioelectric wave spectrum. SIT's budget is mainly financed by income from auctioning of radio frequencies.

112. The Telecommunications Law was enacted in order to promote private investment, innovation, and competition in the telecommunications sector. In October 1998, the Government privatized the state-owned monopoly provider of basic telecommunications services to form Telecomunicaciones de Guatemala (Telgua). In November of the same year, Telgua was sold to Luca S.A., a consortium of Guatemalan and Honduran investors, of which the Mexican phone company Telmex subsequently bought an 80% controlling stake. The authorities indicated that no conditions or obligations on tariff setting were attached to Telgua's privatization, nor does Telgua retain any exclusive rights.

113. Licences for the use of radio wave frequencies are sold in public auctions organized by SIT; they are explicitly open to nationals and foreigners alike. The licences have a duration of 15 years.

114. The Fund for the Development of Telecommunications (Fondetel) receives 70% of the revenue generated in frequency auctions. Fondetel is operated by an entity with the same name; its objective is to develop basic telecommunications services in rural and low-income areas. Requests by companies interested in making use of the Fund are analysed by Fondetel, taking into account the social impact of the proposed investments. Between 1998 and 2000 Fondetel financed the installation of telephone connections for about 3,100 communities. Fondetel itself does not operate telephone services.

115. In low-income regions, basic telephone services are operated by the state-owned company Guatel. All other telecommunications services are provided by private operators. As of 30 June 2001, Guatel had 1.8 million lines in operation.

116. Guatemala took part in the Negotiating Group on Basic Telecommunications but, due to changes in its Telecommunications Law, was not in a position to ratify the Fourth Protocol to the GATS. Subsequently, Guatemala submitted a revised telecommunications schedule of commitments under the WTO certification procedure, which concluded in 1999.²¹ The only remaining limitation to market access provided for in this schedule is the requirement that international traffic be routed through the facilities of an enterprise with a frequency user's title or Telecommunications Registration Certificate issued by SIT. There are no limitations to national treatment. According to the authorities, the Fourth Protocol was approved in Guatemala through the certification process itself and did not require legislative approval.

117. Guatemala's schedule of commitments in basic telecommunications also provides for measures to prevent major telecommunications suppliers from engaging in anti-competitive practices. In particular, such practices comprise anti-competitive cross-subsidization; using information obtained from competitors in an anti-competitive manner; and not making available to other service suppliers on a timely basis relevant technical and commercial information necessary for them to provide services. Upon request, interconnection with a major supplier, under non-discriminatory terms and in a timely fashion, should be ensured at any technically feasible point in the network.

118. According to the authorities, there is no regulation of prices nor are there procedures for standardization, testing or certification of telecommunications equipment. The only regulation in this regard, Article 26 of the Telecommunications Law, establishes that no operator may connect equipment that damages equipment already in use. The contractual terms of interconnecting networks are freely negotiable between the parties involved. However, for 'essential facilities' network operators must grant access to other operators on contractual conditions similar to those granted to operators already established.²² The Law further establishes that operators with more than 10,000 connections must allow their users to choose the services of other operators free of charge. There are no specific national ownership or management requirements for the telecommunications sector.

119. Pursuant to the Regulations for International Telephone Services, all network operators and international interconnection agreements must be inscribed in SIT's Registry of Telecommunications.

²¹ WTO documents S/C/W/88, 11 December 1998, and S/C/W/128/Rev.1, 22 October 1999.

²² Essential facilities are defined in Article 27 of the Law as facilities of a public telecommunications transport network or service that are exclusively or predominantly provided by a single supplier or a limited number of suppliers and that cannot be feasibly economically or technically substituted in order to provide a service.

Local network operators must guarantee their users access to international phone services. The Regulations contain no rules that discriminate between national and foreign network operators.

(b) Postal services

120. In 1998, Guatemala's postal services were granted in concession to International Postal Services (IPS), a private Canadian company. While IPS functions as official supplier of postal services, around 30 additional companies are engaged in local postal deliveries with branch offices throughout Guatemala. The authorities noted that there are no particular legal entry barriers to this market and that any interested enterprise may provide postal services. Postal services are governed by the Code on Postal Services (Decree 650), and the Regulations on Transport and Delivery of Postal offices throughout Guatemala. The authorities noted that there are no particular legal entry barriers to Correspondence (Governmental Decision 289-89) of 25 April 1989.

(v) Transport

121. Guatemala's transport sector grew steadily growth during the 1990s, with land transport being the dominant subsector (Table IV.10).

Table IV.10
Transport sector, 1993-2000
(Value-added in Q million (1958))

	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Total transport	222.6	231.8	242.2	250.8	263.3	282.8	297.3	305.3
Air	14.7	14.2	14.7	14.6	14.9	15.5	15.9	16.7
Ground	165.9	173.8	178.7	185.9	196.1	211.3	220.7	227.5
Maritime	40.6	42.4	47.3	48.8	51.0	54.5	59.0	59.2

a Preliminary figures.

Source: Bank of Guatemala.

122. The transport sector is governed by Article 131 of the Constitution, the Transport Law (Decree No. 253) of 3 July 1946, and the Civil Aviation Law (Decree 93-2000) of 18 December 2000. Article 131 of the Constitution establishes that any company offering national or international transport services requires governmental authorization and that terminals, airports, and maritime ports are property for public use.

123. Minimum national capital requirements are in place until January 2004 for internal air and land transport. Authorization and registration of transport enterprises is required from the Ministry of Economy.

(a) Ground transport

124. Guatemala's road structure consists of 5,616 kilometres of paved roads (including 340 kilometres of expressways) and 11,484 kilometres of unpaved roads. The Pan-American highway runs through Guatemala and connects the country with Mexico, El Salvador, and Honduras. As part of Guatemala's privatization policy, the Mexican group Marhnos was granted a 25-year concession for the Palín-Esquitla toll-highway in 1997.

125. Guatemala also has 884 kilometres of non-electrified narrow-gauge railway; the main line connects Guatemala City with Puerto Barrios on the Atlantic coast and Puerto San José on the Pacific coast. In July 1997, the Government granted a renewable, exclusive 50-year concession for the state-owned railway system to the U.S. company Railroad Development Corporation, after the railway

system had been abandoned for more than a year. All rolling stock and non-fixed assets were sold in the course of the liquidation of the state-owned company FEGUA. Following necessary infrastructure investments, which were delayed by additional damage caused by Hurricane Mitch, railway services were restored in April 1999.

126. The regulations on ground transport represent one of the few exceptions to national treatment that are still in place in Guatemala. Pursuant to Article 4 of the Transport Law, in conjunction with Article 19 of the Foreign Investment Law, a minimum local capital participation of 49% is required in all transport companies until January 2004, after which, transport companies can be fully foreign-owned.

(b) Maritime transport

127. The authorities stated that Guatemala does not have a national merchant fleet. There are 40 representations of shipping companies in Guatemala, all of foreign origin, operating 59 lines. According to the authorities, there are no Guatemalan companies operating maritime transport under foreign flags. Guatemala has not concluded cargo-sharing arrangements with other countries nor is it a party to the UNCTAD liner code. The authorities noted that Guatemala is in the process of becoming a member of the Convention on Facilitation of International Maritime Traffic.

128. Guatemala does not have a specific law on maritime transport nor are there specific regulations on shipping in the Transport Law. Commercial aspects of maritime transport are governed by the third book of the Commercial Code. Furthermore, the authorities noted that there are neither policy guidelines nor specific strategic objectives for shipping services. Guatemala has been a member of the International Maritime Organization since 1983, and has signed several international conventions on maritime transport.²³ The authorities indicated that due to the absence of regulations in this field, foreign vessels may provide domestic cabotage services.

129. Guatemala's main maritime ports are Puerto Santo Tomas de Castilla and Puerto Barrios on the Atlantic coast, and Puerto Quetzal and Puerto San José on the Pacific side (Table IV.11). The Ministry of Infrastructure has overall responsibility for the formulation of policies related to Guatemala's maritime ports. The National Ports Commission, whose Executive Board is composed of representatives from various Ministries, the main public port companies, and the private sector, has mainly advisory competence. According to the authorities, 90% of Guatemala's international trade volume passes through its maritime ports.

130. The authorities noted that all major maritime ports in Guatemala are state-owned and administered by public and autonomous companies, with the exception of Puerto Barrios and Puerto San José. Puerto Barrios was given in concession to a banana company, in 1990, for a duration of 25 years, and Puerto San José is operated by private enterprises under special arrangements. The authorities further noted that operating concessions for various services, such as for the development of specialized terminals in Puerto Quetzal and Puerto Barrios, were given to private enterprises for a minimum duration of 25 years. There are no restrictions applied to foreigners in the operation of ports or the provision of auxiliary port services such as pilotage, towing, cargo-handling and warehousing.

²³ Guatemala has signed the International Convention on Civil Liability for Oil Pollution Damage, the International Convention relating to Intervention on the High Seas in Cases of Oil Pollution Casualties, the United Nations Convention on the Law of the Sea, the International Convention for the Prevention of Pollution from Ships (MARPOL), the International Convention for the Safety of Life at Sea (SOLAS), and the International Convention on Load Lines.

Table IV.11
Guatemalan ports, handled cargo, 1996-2000
('000 tonnes)

Coast and port	1996		1997		1998		1999		2000	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
Atlantic	2,091	2,164	2,445	2,671	3,326	3,046	3,157	3,032	3,258	3,188
Pto. St. Tomas de Castilla	1,467	1,726	1,689	2,138	2,481	2,352	2,240	2,244	2,289	2,398
Puerto Barrios	624	438	756	533	845	694	917	788	999	790
Pacific	2,709	1,254	3,160	1,346	3,812	1,849	4,160	1,484	4,319	1,680
Puerto Quetzal	1,609	1,029	2,166	1,194	2,558	1,500	2,829	1,330	2,988	1,526
Puerto San José	1,100	225	994	152	1,254	349	1,331	154	1,331	154
Total	4,800	3,418	5,605	4,017	7,138	4,895	7,317	4,516	7,803	4,842

Source: National Ports Commission.

(c) Air transport

131. Guatemala has ten major airports; the state-owned airports La Aurora (Guatemala City), which handled more than 1.2 million passengers in 2000, and Santa Elena/Tikal (Department of Petén), are the most important. The authorities pointed out that there are no legal restrictions to private ownership of airports and that concessions to build and operate had been granted to private enterprises for both airports. These enterprises are mainly engaged in fuel storage as well as freight and catering services.

132. As part of the Government's privatization policy, the majority of shares of Guatemala's national airline Aviateca was sold to the Taca Group, an El Salvador-based airline holding company; the remaining 30% is scheduled for sale at of mid 2001. No official information was available on the selling conditions. In total, there are twelve airlines offering international flights.

133. Air transport in Guatemala is governed by the Civil Aviation Law (Decree 93-2000) of 18 December 2000. The Law establishes that the General Direction of Civil Aeronautics of the Ministry of Communication, Transport and Public Works is responsible for the regulation of civil aviation and its support services, as well as of airports and related services. Guatemala has concluded bilateral agreements on air transport services with eight countries (Belgium, Ecuador, France, Germany, Mexico, the Netherlands, Spain, and Switzerland). It has also negotiated open skies agreements with the United States (1997) and with Panama (1998).

134. For international air transport, the Civil Aviation Law does not contain any regulations on ownership or management requirements. According to the Law, foreign carriers are required, however, to appoint a legal representative domiciled in Guatemala. For national air transport, the Law establishes that until January 2004, at least 51% of the company's capital must be held by Guatemalans. As of this date, companies offering national air transport can be fully foreign-owned. Foreign companies may not engage in national cabotage.

135. The Civil Aviation Law does not contain any price regulations, establishing that ticket and cargo prices are freely set by the carriers. Prices may be fixed by the Direction of Civil Aeronautics only in exceptional cases of national interest or public necessity. According to the authorities, this situation has occurred only a few times for reasons of unfair competition and consumer protection.

(vi) Tourism

136. Tourism has become a sector of increasing importance for the Guatemalan economy. In 2000, an estimated 826,000 foreign tourists visited Guatemala, up from 563,000 five years earlier, generating around US\$535 million of foreign exchange income (Table IV.12). The authorities consider tourism as one of the future key growth sectors of the economy.

Table IV.12
Tourism 1995-2000

	1995	1996	1997	1998	1999	2000 ^a
Number of arrivals ('000)	563.5	520.1	576.4	636.3	822.7	826.2
Generation of foreign exchange (US\$ million)	276.6	284.3	325.2	394.1	570.1	535.1

a Preliminary figures.

Source: Bank of Guatemala, *Statistical Bulletin*.

137. Guatemala's tourism sector is governed by several laws and regulations.²⁴ The authorities noted that due to fiscal reforms in 1998, as provided by the Law on the Abolition of Fiscal Incentives (Decree 117-97) of 9 December 1997, the incentives provided by the Tourism Law of 1974 are no longer applicable, despite the Law's ongoing validity.

138. The tourism sector is regulated by the National Tourism Institute (INGUAT), which is responsible for the promotion of national and international tourism, the registration of new enterprises related to tourism, and the supervision of existing enterprises. Enterprises registered and supervised by INGUAT include travel agencies, hotels and guesthouses, recreation centres, Spanish language schools, and tourist guides. The authorities pointed out that the existing registration procedures were based on the principles of security and service quality. The authorities further emphasized that foreign investors in the sector are granted national treatment. They also indicated that all hotel tariffs are subject to supervision by INGUAT.

139. INGUAT's regulatory activities are complemented by the Central American Council for Tourism and by the Chamber of Tourism (Camtur). The Chamber of Tourism, a private institution, represents the tourist business community, and is in charge of capacity-building programmes, and quality certification. The main objective of the Central American Council for Tourism, which is composed of the region's ministers in charge of tourism, is to coordinate tourism-related policies on a regional basis and to develop and manage regional tourism programmes.

140. Pursuant to Article 5 of INGUAT's Regulations on Spanish Language Schools, directors of such schools must be Guatemalan nationals. There are no nationality requirements for teachers. Any language school teaching Spanish as a second language must be registered by INGUAT.

²⁴ These are: the Tourism Law (Decree 25-74) of 20 November 1974 and its Regulations; the Law Establishing Guatemala's Tourism Institute (Decree 1701; amended by Decrees 22-71, 23-73, 113-97) of 19 November 1967; the Regulations for the Establishment of Hotels and Guesthouses (Governmental Decision 1144-83) of 29 December 1983; INGUAT's Regulations for Tourist Guides (Decision 219-87) of 18 November 1987; INGUAT's Regulations for the Register of Travel Agencies (Decision 269-93-D) of 30 October 1993; INGUAT's Regulations on Spanish Language Schools (Decision 109-D-99) of 22 May 1999; the Statutes of Guatemala's Chamber of Tourism (Presidential Decision of 5 November 1976); INGUAT's Regulations on the Operation of Tourist Marina (Decision 300-90) of 26 December 1990; INGUAT's Regulations for the Register of Commercial Tourist Offices (Decision 198-95-D) of 5 July 1995; INGUAT's Decision on the Creation of Local Tourist Committees (Decision 435-2000-D) of 10 November 2000; INGUAT's Regulations on Local Tourist Committees (Decision 294-2001-D) of 2 August 2001; and Governmental Decision 439-2000 of 4 November 2000 establishing the National Tourism Strategy.

141. The Government's objectives and strategies for the sector are outlined in the National Tourism Strategy of July 2000.²⁵ This document presents a comprehensive, long-term vision for Guatemala's tourism sector. In particular, the strategy outlines policy measures to be implemented in the following areas: enhanced capacity-building in the tourist sector through the creation of Local Tourist Committees; increased inter-institutional coordination through a new National Tourist Committee; institution of a programme to increase security for tourists; and increased investment in tourist infrastructure.

142. The authorities emphasized that the State does not provide tourism services nor any specific fiscal incentives for the tourist sector. However, they also noted that as of mid-2001 the Tourism Law of 1974 was being revised and that the reintroduction of sector-specific investment incentives was being considered. Support for micro- and small enterprises in the tourist sector is available through the programme PYMETUR; this programme is sponsored by FUNDESA, a non-profit organization of business persons.

²⁵ Gobierno de la República (2000b).

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