



8. INFRASTRUCTURE

#INVESTINGUATEMALA



Industry in Guatemala

General information of the country

Capital City	Guatemala
Currency	Quetzal
Exchange Rate (2013)	1US\$ = 7.86 quetzales
Official Language	Spanish
Population	15,438,384
Labor Force (2013)	5.9 Million
GDP (2013)	US\$53.8 Billion
FDI inflows (2013)	US\$1.3 Billion
Exports (2013)	US\$10.0 Billion

Source: Bank of Guatemala and National Institute of Statistics

INFRASTRUCTURE in Guatemala

Guatemala has the geographic location and natural conditions to consolidate as a Logistics Center for Regional Services. Its infrastructure consists of efficient highways that interconnect the entire country, sea ports in the Pacific and Atlantic Ocean (both certified in quality and safety), a new and modern A1 airport in the heart of Guatemala City (among other regional airports and a second international airport located near the Mayan city of Tikal, in the department of Petén) as well as modern

technological infrastructure (with access to the Network Access Point through submarine and land cables, installed capacity of 25 STM-6 optical fiber network rings, redundancy levels of 99.99%, 4G wireless communication capacity and up to 10Mbps of communications in fixed lines, and speeds ranging from 30 to 50 Mbps).

Important Data



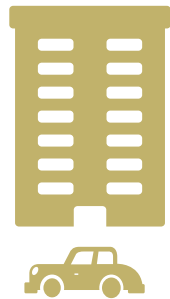
There are 15 million inhabitants in Guatemala.



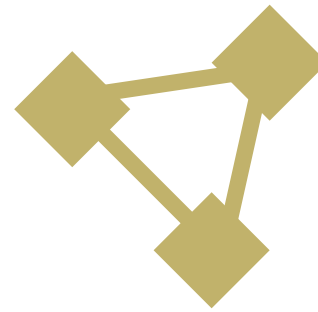
25% of the total population lives in the metropolitan area.



More than 2,425,240 vehicles circulate in Guatemala.



62% of circulating vehicles are registered in the metropolitan area.



The sector represents 3% of Guatemala's GDP

Investment opportunities in this sector

Guatemala seeks to attract more than US\$1.3 billion in investments across a portfolio of infrastructure projects, which are being studied under the concept of Public-Private Partnerships.

The National Alliance for the Development of Economic Infrastructure (ANADIE, for its acronym in Spanish) is the agency in charge of this strategic plan that will support the country's growth, and has currently defined several projects which are:

- Construction of an industrial park at the border with Mexico.
- Construction of an office-buildings complex for government dependencies.
- Construction and management of urban rail transportation in Guatemala City.
- Construction and management of cargo rail transportation in Southern Guatemala.

- Construction of a gas pipeline between Mexico and Southern Guatemala.
- Recovery of a port located in the Pacific Ocean (Champerico Port)
- Construction and/or recovery of 5 main airports in the country.
- Build a food terminal for solid and liquid products in a Port at the Atlantic Ocean.

Construction of several toll highways:

- Metropolitan area (between the cities of Palencia and San Jose Pinula).
- A peripheral ring connecting Barcenas, Villa Nueva (near the Pacific shore) with the CA-1, to avoid international commerce from having to pass through Guatemala City.
- Pacific shore (connecting Escuintla with Puerto San José).

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- Creation of an Inter-oceanic Canal, "The Guatemalan Inter-Oceanic Corridor Project", with the objective of joining thorough a land strip, the Pacific and Atlantic coastlines in the Republic of Guatemala, in order to develop an inter-ocean transshipment logistics hub in Central America with modern infrastructure and technically adequate ports able to efficiently manage Super Post Panamax vessels "SPPX" (which have a capacity of more than 8,000 TEUs, and would never pass through the Panama Canal) and hereby provide benefits to the international transportation of containers and general world trade.

As stated above, the infrastructure sector in Guatemala includes roads, ports and airports, free trade zones and industrial parks; and other construction projects. Most of these are very important for foreign trade (imports + exports) with the important markets around the world. As of 2013, Guatemala established a total of US\$27,580 Million of foreign trade. Of that amount, 77% was carried by sea, 22% by road and 1% by air.

As a complementary element, new modern and competitive Free Trade Zones will be enabled so that transcontinental companies can be established in them and take advantage of economies of scale in the production and transportation processes, thereby improving the competitiveness of their goods.



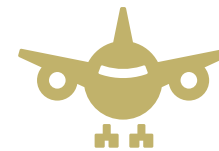
77%

Maritime



22%

Land



01%

Air

Free Trade Zones and Industrial Parks

As stated in the Decree 65-89, a Free Trade Zone in Guatemala refers to a physical place subject to a special tax regime and offers several tax incentives to companies located within any of them. In the country, according to the Ministry of Economy, there are 18 active Free Trade Zones located in Guatemala City, as well as other important cities of the country. In addition, 9 more are about to be started, as well as a large number of industrial parks that will give the investor a significant competitive advantage to locate their operations in Guatemala. As of December 2013, Guatemala recorded a total of 18 registered Free Trade Zones under the Decree 65-89 -The Law on Free Zones- located in the main areas of the country and hosting 260 registered companies operating in these zones. These companies are mainly engaged in trade (202), industry (31) and services (27).

Construction in Guatemala

This industrial sector is of paramount importance to the economic development of Guatemala, not only by the large number of construction companies it directly involves, but also because of its effect in a highly dynamic range of inputs it demands.



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The housing subsector comprises housing projects for all socioeconomic levels; as well as for commercial and industrial buildings.

Major building products

- Supplies: cement and steel
- Housing projects: both horizontal and vertical housing
- Offices buildings
- Shopping Centers
- Roads and Ports infrastructure

This sector is also very important to the Guatemalan economy in terms of job offering; according to the Guatemalan Chamber of Construction, this sector generates around 232,000 jobs.



Road Infrastructure



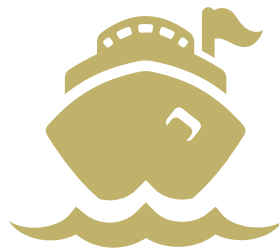
Guatemala has a growing modern road network. This network consists of around 43,446 miles of paved road, accessible for transporting people and cargo, connecting the nation's different regions, ports and borders with Mexico and Central America. It also has 2,907 miles of dirt road and 2,598 miles of rural roads. There is an institutional coordination body which is the National Road Infrastructure (COVIAL), responsible for the maintenance and constant improvement of these existing routes.

The main sections of the Guatemalan Road Network are defined as follows:

- Central American Routes: 1,335 miles.
- National Routes: 1,488 miles + 215 miles of the Northern Transversal Strip (FTN, for its acronym in Spanish). The FTN joins the Mexican border with Izabal and the Atlantic Shore.
- Departamental Routes: 1,732 miles.

The geographical characteristics of Guatemala require the existence of a large number of lanes to allow the flow of around 2,400,000 vehicles registered in the country along the road network and its connection to different regions, department and communities from the Pacific to the Atlantic coasts.

National Port System



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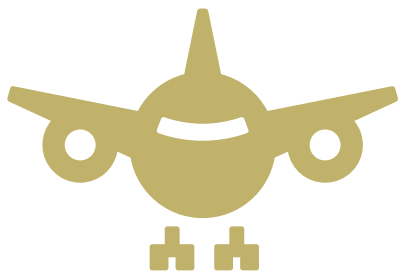
Boyas San Jose, in the Pacific coast, is used to export and import petroleum. It is a terminal that works with mooring buoys at high sea, for the mooring of vessels working with hose connection for landing and shipping, to and from deposits on land. Boyas San Jose mobilized 2.1 million metric tons in 2011 (1.7 million metric tons of imports and 0.3 million of exports). The other port in the Pacific coast, Puerto Quetzal, handled 2.8 million metric tons in containerized cargo in 2011, mainly for solid bulk (47.7%).

Santo Tomas de Castilla, in the Caribbean coast, is the busiest port for containerized cargo, managing more than 3.4 million metric tons of containerized cargo per year. Puerto Barrios, also in the Caribbean coast, has 86.1% of its cargo in containers, mainly in banana exports.

The total cargo handled in Guatemalan ports during 2013 was 20.4 million metric tons, a figure that had never been achieved historically.

Guatemala is an important potential location for strategic investment in container terminals, cruise ships, refrigerated cargo, dredging, and modernization for better care of the tourist and commercial cargo handling.

Airport Infrastructure



Guatemala owns one of the most modern and important airports of the entire Latin American region, recognized as Category A1 by the FAA (Federal Aviation Administration) of the United States of America. La Aurora International Airport, located in Guatemala City, has a capacity to receive up to 4 million passengers a year, and operates more than 160 weekly flights with direct connections to six cities in the United States; as well as Mexico, other Central American cities, Peru and Spain.

315 miles from the Guatemala City, in the department of Peten, is located the second international airport of the country, Mundo Maya International Airport, visited by many tourists interested to visit the ancient Mayan city of Tikal.

In addition to the international airport, the country also has seven more regional airports in secondary cities such as Quetzaltenango, Huehuetenango, Retalhuleu, San Marcos, Coatepeque, Puerto de San Jose, and Puerto Barrios.

Relevant Legal Framework

Law on Public-Private Partnerships (Decree No. 16-2010)

The State of Guatemala has worked to establish a legal framework for Public-Private partnerships or alliances, called "Law on Public-Private Partnerships". This law seeks to improve and expand the nation's economic infrastructure allowing the joint participation of public institutions and private companies.

The establishment of this law has boost competitiveness and economic growth, enabling the State to have sufficient funds to invest in social services and public works. The Law seeks to establish clear rules, within a framework of transparency and competitiveness in economic infrastructure projects.

This law applies to contracts of partnerships for economic infrastructure development: construction, maintenance, modernization and expansion of infrastructure projects like highways, roads, ports, airports, projects, transmission and sale of electricity and rail, including the provision of all necessary equipment for its implementation.

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Some foreign companies that have trusted in Guatemala



Other Institutions that offer support for this sector are:



**MINISTERIO DE COMUNICACIONES
INFRAESTRUCTURA Y VIVIENDA**

Ministry of Communications,
Infrastructure and Housing of
Guatemala
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