

# Guatemala goes global

**INTERVIEW WITH CARLOS RAÚL MORALES AND RODRIGO VIELMANN**

FOREIGN MINISTER AND VICE MINISTER, RESPECTIVELY, REPUBLIC OF GUATEMALA



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Over the last decade, Guatemala has assumed an increasingly active role in driving Central American integration and promoting the region's move into the global marketplace, a task that has been given greater impetus under the administration of President Otto Pérez Molina, since he took office in 2012. Trade diplomacy has been the hallmark of the Ministry of Foreign Affairs, as Carlos Raúl Morales and Rodrigo Viemann, the Foreign Minister and Deputy Foreign Minister, respectively, explain.

"Increasing trade and investment has been one of the key policy objectives of this government, and one of the strategies to achieve this has been to pursue greater regional integration, whereby the nations of Central America work together to solve shared problems and take advantage of opportunities that benefit all of us," says Mr Morales.

Guatemala has used its turn as the pro tempore president of SICA, the Central American Integration System, to work closely with fellow member states Honduras, El Salvador, Nicaragua, Costa Rica, Panama, the Dominican Republic, and Belize on eliminating trade tariffs and border restrictions, as well as addressing other core foreign policy objectives

such as resolving territorial disputes, drug trafficking, and migration.

"The main goal of our presidency of SICA was to push forward the customs union process," says Mr Morales: "It has taken more than sixty years since the first regional agreements in Central America were signed, and we've all been through a lot, but we believe that now, more than ever, we are finally going to start making progress in converging our economies."

In February this year, integration took a major step forward when Guatemala signed a bilateral agreement creating a customs union with its neighbour, Honduras, marking the first concrete action in a regional development plan known as the Alliance for the Prosperity of the Northern Triangle (which comprises Guatemala, Honduras and El Salvador), designed to decrease illegal immigration to the United States by improving local economic opportunities. The customs union agreement was signed during a meeting also attended by officials and business leaders from El Salvador, which has been invited to join. Mr Morales is confident that the country will soon join the union with the two founder members.

US President Barack Obama has said he will request US\$1 billion from Congress to support the Alliance

Minister Morales receives a Russian delegation led by Foreign Minister Sergey Lavrov



for Prosperity, while Honduras and Guatemala will also each put in \$1 billion a year over the coming three years. Customs offices are scheduled to be removed along the two countries' shared border in December of this year. Authorities and business leaders hope the move will cut costs and speed up transportation of goods throughout the region.

"We're showing that Guatemala and its neighbours are following the path of peace and prosperity," says Mr Morales, adding that the alliance will improve economic opportunity, security for citizens, social development and democratic institutions. He stresses the need for unified immigration requirements to enter the Northern Triangle countries and hopes Honduras, Guatemala, and Mexico could soon integrate their immigration and police databases, "allowing our citizens to move freely between our three countries."

#### Deepening global trade links

Guatemala's efforts to strengthen regional ties are built on its already existing extensive web of trade agreements, among them pacts with the rest of Central America, the Dominican Republic, Taiwan, Belize, Colombia, Chile, Mexico, and Panama. Particularly noteworthy is its Free Trade Agreement with the United States (DR-CAFTA), in place since 2006. Guatemala also is actively engaged in multilateral World Trade Organisation (WTO) negotiations, having joined that organisation in 1995, and is pursuing trade talks with CARICOM and Canada. In 2012, it joined the rest of Central America in signing an Association Agreement with the EU. Guatemala also has its eye on establishing closer ties with the Pacific Alliance, which brings together Mexico, Colombia, Peru, and Chile.

Guatemala's outward-looking strategy has included opening trade delegations in embassies in key export markets in Europe, South America, and the Asian Pacific nations. Guatemala's recognition of Taiwan has limited its trade ties with China, but the Foreign Ministry is watching how the relationship develops between the People's Republic and Costa Rica, which severed diplomatic ties with Taipei in favour of Beijing in 2007.

In March this year, taking advantage of its SICA presidency, Guatemala hosted the Spain-SICA Summit, which focused on the opportunities for the region offered by the European Union-Central America Association Agreement, since its trade element came into force in 2013. Also under discussion was the physical integration and development of infrastructures in Central America, essential for making progress on the free movement of goods and people, says Mr Morales: "The Central American interconnection will enable this continent to become a more competitive market, and in this area Spain can offer the experience

of Spanish companies of international renown."

Trade issues and opportunities stemming from the Central American integration process were discussed at a Spain-Guatemala Business Meeting held alongside the summit itself. This meeting, attended by Spanish companies and SICA countries, will allow economic and trade ties in the region to be further enhanced. "Spain is the leading European supplier and third-largest investor in Guatemala. Spanish companies are showing increasing interest in the Guatemalan market and have boosted their presence in the country in recent years," says Mr Morales.

Leaders at the SICA-Spain Summit also discussed the region's security situation, which Mr Morales says is compromised by drugs trafficking. Under President Pérez Molina, Guatemala has been pushing for a change in the way the United States and Mexico are tackling their drugs problems. "President Pérez proposed last year in several international forums the need to open a serious dialogue, deep and political, and technically well-founded on this issue," says Mr Morales, adding: "The United States is the main global consumer of cocaine, and Colombia the main producer, but of course most of it now passes through Guatemala, and this is seriously destabilising our country and our neighbours."

Mr Morales says President Pérez's proposals highlight the need to reduce narcotics-related violence and crime, with the state pushing for a peaceful solution. There is also the question of how to reduce arms trafficking and money laundering, "which nourish and strengthen drug trafficking and eliminate the state's ability to control violence." Guatemala

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Spain's Prime Minister, Mariano Rajoy, with Guatemala's President Otto Pérez Molina at the SICA-Spain Summit in Guatemala City



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also wants to analyse the option of legalising some crops that are important for certain indigenous communities, and promote local economic activity based on their development. In addition, Mr Morales says the government wants to discuss the possibility of decriminalising drug use and treating it as a health issue. Other issues include combating the links between corruption and drug trafficking.

**'Sugar diplomacy'**

At the end of June this year, Guatemala will host the International Sugar Organisation's (ISO) annual Council Meeting. Guatemala now ranks as the world's fourth largest sugar exporter, after Brazil, Thailand and Australia, says Mr Morales, who is the current president of the ISO Council.

Mr Morales says the main export strategy is geared towards increasing refined sugar exports, while at the same time maintaining domestic sugar consumption. The industry is actively engaged in supporting the "millennium challenge goals" in Guatemala and has been collaborating for more than 20 years in maternal-child nutrition and health components; its major programme is focused on increasing local capabilities of rural primary school teachers. As a result, the sugar industry is well known and highly recognised in the country.

"Guatemala has focused on making the most of the potential of its sugar industry: we have very good land, and we produce some very special varieties of sugar cane. More importantly, our producers have invested in R&D and the most modern machinery, while plantations work together on the distribution of bulk product, for example. The Guatemalan sugar industry continues to be one of the most efficient in productivity terms and port loading capacity, and has the largest storage capacity in the Central American region. It now ranks fourth in the list of major sugar producers in the world," he says. Sugar today represents 14.4 per cent of Guatemala's total exports, 27.1 per cent of its agricultural exports and 3 per cent of its GDP. Other export leaders such as coffee and bananas have increased by more than 10 per cent over the decades, and now contribute around 20 per cent of GDP. Though growth in industrial manufacturing has altered the country's traditional export structure, agricultural commodities still are its leading export revenue earners.

**Foreign Ministry to lead tourism strategy**

The Foreign Ministry has also been tasked with aiding strategies to attract foreign investment into the tourism sector, part of a National Plan for Sustainable Tourism Development introduced in 2012.

"Our aim is to position Guatemala as one of the best tourism destinations in the world, and to increase the number of visitors to our country, which will help

generate jobs and revenue," says Deputy Foreign Minister Rodrigo Vielmann.

The new plan includes the creation of a new Secretary of Tourism in the Government of Guatemala, as well as the modification of the current law that regulates the Guatemalan Tourism Institute (INGUAT).

"We are involving many different parties in this change: local authorities, community leaders, the tourism industry, international organisations, the private sector, the media and of course the government. We are all working for a common objective: to present a positive image of the country and tell the world that Guatemala is much more than what has been said in the past, and that we are ready to welcome visitors with open arms," says Mr Vielmann.

At present, the volume of tourism business is equal to or bigger than that from oil or food exports, and is the second largest source of income, bringing in around US\$1.5 billion a year from two million tourists. Mr Vielmann says the Foreign Ministry is using its network of embassies and consulates abroad to put the country's tourism industry in touch with foreign investors and to attract multinational hotel chains, cruise and air lines so as to capitalise on the presence of three UNESCO World Heritage sites (Antigua Guatemala, Tikal and Quirigua) as well as providing greater access to niche sectors like game fishing, golf, and surfing.

"The strategy to develop tourism is bringing with it major opportunities for economic growth and development. The government can play a key role as business promoter and facilitator," says Mr Vielmann. The World Bank, World Economic Forum (WEF) and the Organisation for Economic Cooperation and Development (OECD), have highlighted the significant improvements Guatemala has made over the last three years in their analysis of economic and financial performance of countries regarding the business climate for investment.

Meanwhile, Guatemala is deepening its economic ties to Mexico, particularly the southern part of the country, says Mr Morales. Mexican state oil company Pemex and Guatemala will build a US\$1.2 billion, 370-mile gas pipeline linking the two countries and giving local manufacturers access to cheaper energy.

Pemex will build up to the Guatemalan border, and Guatemala will continue the pipeline to the south of the country. Guatemala plans to open the project to bidding this year and the pipeline is expected to be operational by 2016.

Honduras has now also joined the project, enabling distribution throughout Central America. "The accession (of Honduras) to this agreement really gives it economic viability, and above all will drive economic development and prosperity for the entire Central American region and Mexico," adds Mr Morales. **F**