

Creating an enabling environment

INTERVIEW WITH **SERGIO DE LA TORRE**

MINISTER OF ECONOMY, REPUBLIC OF GUATEMALA



SERGIO DE LA TORRE graduated in Business Administration from Francisco Marroquín University. Over the course of his business career, Mr De La Torre has founded a number of companies operating at both the national and international level and has held a number of senior private sector positions in Guatemala, including President of the Board of the Chamber of Industry and President of CACIF. He has been a member of the Guatemalan Monetary Committee for the past nine years and Minister of Economy since January 2010.

Guatemala's economy has performed relatively well in recent years, yet the country continues to hover around the 71-73 mark in the World Bank's Doing Business rankings. What do you see as the main hurdles that need to be overcome in order for the country to achieve its undoubted potential?

Whilst it is true that Guatemala came 73rd in the latest Doing Business report, I would like to point out that we have moved up 24 positions in the rankings in the last three years, which represents a significant improvement in terms of the efficiency of the different procedures and regulations related to the business environment. The main challenge we have to address now is amending the laws that still hold business back. With this in mind, we are working on new proposals for regulations to improve the business climate and will soon put them before Congress.

Boosting exports and foreign direct investment is key if Guatemala is to provide opportunities for its young people and prevent them from emigrating to the US and elsewhere. What is the government's strategy for retaining the country's brightest and best young minds?

We have several projects underway, but generally speaking, success in retaining our youth depends on them finding formal employment opportunities, as well as giving them access to better education and health, and that is what we have been working hard at in recent years. We're now adding to this strategy the Plan for Prosperity Partnership of the Northern Triangle, in conjunction with El Salvador and Honduras, with more than 60 projects being developed. These initiatives are aimed at holding on to our young talent. I should also mention, for example, projects in other regions of the country that have considerable potential to generate jobs as well.

You were recently quoted as saying: 'There is no sustainable economic development without social development, but we are convinced that social development is not possible without economic growth.' How successful have you been in squaring this circle?

This is a very important question. We are convinced that the best way to address the social problems of the country, such as access to education, to healthcare, better security and public safety, is by generating economic

growth and creating employment opportunities. That's why in 2014 alone, more than 174,000 new jobs were created, and our projection for 2015 is the creation of another 190,000. We have also set up export-focused light manufacturing industries in four areas of the country that face important economic and social challenges, whilst at the same time putting together new legislation on investment and employment.

How concerned are you by the recent decision of the ratings agency Fitch to downgrade Guatemala's long-term debt to 'BB', citing weak governance and human development indicators, as well as a failure to expand the country's revenue base?

I am very concerned, and would simply say that we now face the challenge of working harder to focus efforts on the key points raised by Fitch, as well as making better decisions to earn Guatemala a higher rating as soon as possible.

In your capacity as President of the Council of SIECA, what do you regard as the most significant features of Guatemala's current pro tempore presidency (PTP) of SICA, and what are your expectations for the forthcoming SICA/Tuxtla Mechanism summit in Antigua Guatemala?

Holding the presidency of SIECA adds value to our efforts to work and advance the process of regional economic integration.

Guatemala has a long tradition of working for regional integration, and the PTP, whilst an honour and a responsibility, means we can also push for more initiatives, which as long as they are consensual, means we can make serious progress. We have put forward an ambitious work plan, the key points of which are moving towards a customs union, creating a Central American trade facilitation strategy, and also continuing to meet our commitments to our European partners under the Association Agreement.

Regarding the SICA/Tuxtla Mechanism summit, I can say that we are pleased at developments such as the draft procedure for transit of goods, which facilitates Central American trade. I also expect significant progress on other projects that will have a positive impact on Central American integration – for example, the Coordinated Mesoamerican Border Programme and the Mesoamerican Forum of SMEs.

As you say, Guatemala has historically been at the forefront of the drive towards Central American integration. What is your assessment of the current state of this process, in light of the recently-signed customs union agreement between Guatemala and Honduras?

The Central American economic integration process has recently been given a major boost, especially since the signing of the Association Agreement with the European Union, which further strengthens our commitment to the region. What we have done with Honduras is to expedite the process using regional instruments that allow two or more countries to advance more rapidly in establishing a customs union. El Salvador has also expressed its interest in participating as an observer in the process between Guatemala and Honduras, and we believe the other Central American countries will be gradually added to this new project.

This year, Guatemala will also host the 47th Council Meeting of the International Sugar Organisation, a sector in which Guatemala is recognised as a world leader in terms of efficiency and competitiveness. Which of Guatemala's other industries do you see as having the capability to step-up to world-class status, and what lessons can they learn from their colleagues in the sugar sector?

The Guatemalan sugar industry represents 31 per cent of the total value of Guatemalan agricultural exports, and 15.4 per cent of total exports. Also, we are the fourth-largest exporter in the world and the third in productivity, respectively. We also have other export success stories: we are the world's sixth-largest exporter of bananas and palm oil, the latter of which is a growing and highly competitive industry. We are also a major exporter of cardamom, and of course coffee, which is recognised worldwide for its quality. Finally, in the industrial sectors, our clothing and textile industries are internationally recognised, and we are a major exporter in certain products. I should add that our natural rubber exports have also grown recently, making us the world's eighth-largest exporter in that commodity.

The current demands from Guatemala's civil society and private sector for greater transparency and accountability in public finances and governance in general is louder than at any time in recent memory. Are you confident that the country has turned a corner in this regard? If so, what would it mean for Guatemala's competitiveness and prosperity going forward?

There is no doubt that the current situation has raised demands for transparency and efficiency. Voters want to know more about the government's proposals and what it is doing with their taxes, which is all good news, because competitiveness requires inclusion and active

participation if our proposals are to come to anything.

We need people to be empowered and to defend what has been achieved. We believe the current situation has given voters the tools to become more involved in running the country, and that more people than ever want to participate in discussions about how to make this country more competitive. At the same time, we are seeing greater interaction with our working groups, and above all, a direct commitment to the initiatives proposed within the National Competitiveness Programme.

What do you regard as the current administration's most important achievements in office, and what are your priorities for the remainder of your term?

That requires a very long answer, so I will try to summarise the achievements: more economic growth (4.2 per cent in 2014), more jobs in the formal sector (174,107 in 2014), creating favourable conditions for the establishment of new companies (over 145,000 in the last three years), more productive investment (in 2009 foreign direct investment reached US\$600 million, and in 2014 amounted to more than US\$1.3 billion), more support to families (inflation is at one of the lowest levels in the country's history: 2.95 per cent), more trade (exports and imports have grown), more competition (we are one of the top 10 reformers in the world, according to the World Bank), and we have provided huge support to SMEs and micro businesses.

The priorities in the final months of this legislature are to consolidate and build on these gains and continue to insist to Congress on the need to legislate for structural changes so that the country can grow sustainably in the coming years. After all, the best social policy is good economic policy.

We are convinced that the best way to address the social problems of the country is by generating economic growth. The best social policy is good economic policy

Giving business a helping hand: Minister De La Torre in conversation

