



4. LIGHT MANUFACTURING

#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\$10.1 Billion

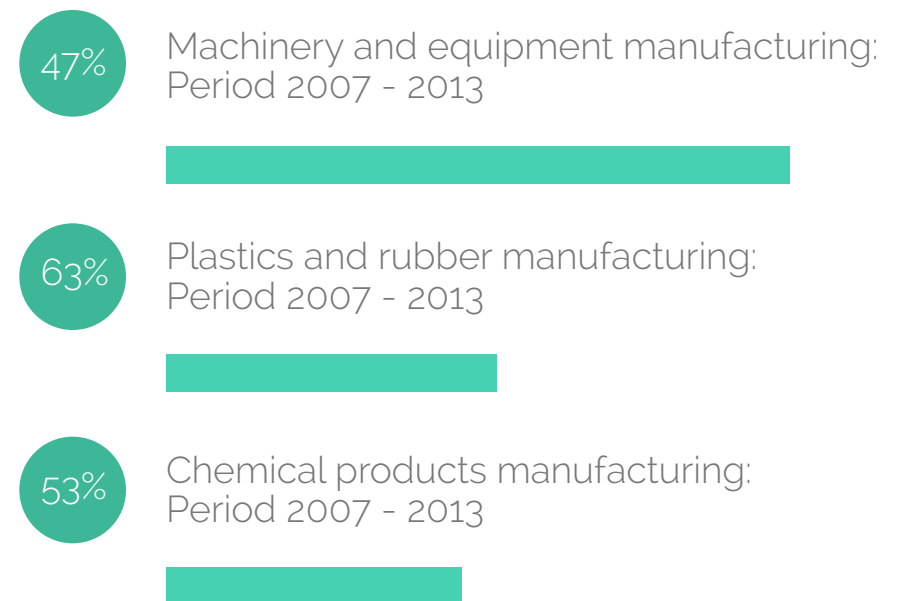
Source: Bank of Guatemala and National Institute of Statistics

LIGHT MANUFACTURING Industry in Guatemala

The Light Manufacturing sector in Guatemala seeks to position the country as a world-class investment destination for products like electronics, refrigeration, equipment, auto parts, plastics, cosmetics, software development, pharmaceutical and medical devices, among others.

In 2013, this sector accounted for 19.11% of the nation's GDP, generating approximately US\$10,273 Million; US\$2,458 Million in exports. In terms of Foreign Direct Investment inflows, it accounted for 14.6% of the total FDI attracted to Guatemala by 2013.

Sector's Growth



4. LIGHT MANUFACTURING

LIGHT MANUFACTURING

Industry at Glance

Total revenue (2013)

US\$10,273 Million

Growth rate (2001-2013)

120%

Total employment (2'13)

69,040 direct jobs

Exports (2013)

US\$2,458 Million

Main markets

USA, Mexico, UK, Japan, Hong Kong, France,
Switzerland, Italy, Canada, Netherlands, Spain

Main companies

Sumitomo, Fogel, 3M, Rayovac, Colgate-Palmolive,
Procter & Gamble, Xerox, Pfizer, Walmart, DuPont,
Hino, Bayer

Why invest in this industry?

- Availability of highly qualified and skilled labor force, with high added value for the requirements of the main international markets at competitive costs.
- Strategic geographical position, for export development and participation in major international markets; access to both the Pacific and Atlantic oceans.
- Guatemala has several Free Trade and Preferential Trade Agreements that facilitate commerce with countries like the United States, Mexico, Central America, Chile, Colombia, European Union and Taiwan, among others.
- Guatemala represents the largest market in the entire Central American region, which accounts for 35% of total regional GDP; having a potential internal market.
- The Government of Guatemala is actively involved in this sector's development, establishing legal incentives to both national and foreign companies interested in this industry, like: Foreign Investment Law, Free Trade Zones Law, the Development and Promotion of Exports and Drawback Law, among tax benefits. These laws offer import duty exemptions and other taxes exonerations for determined periods of time.
- Easiness to provide technical training to employees through the Technical Institute for Training and Productivity (INTECAP) that provides world-class courses and certifiable careers in several key areas for this industry, in a diversity of locations.

4. LIGHT MANUFACTURING

With a total income of US\$10,273 million (equal to 19.11% of the GDP) in 2013, this industry is an excellent investment destination and an anchor for FDI inflows

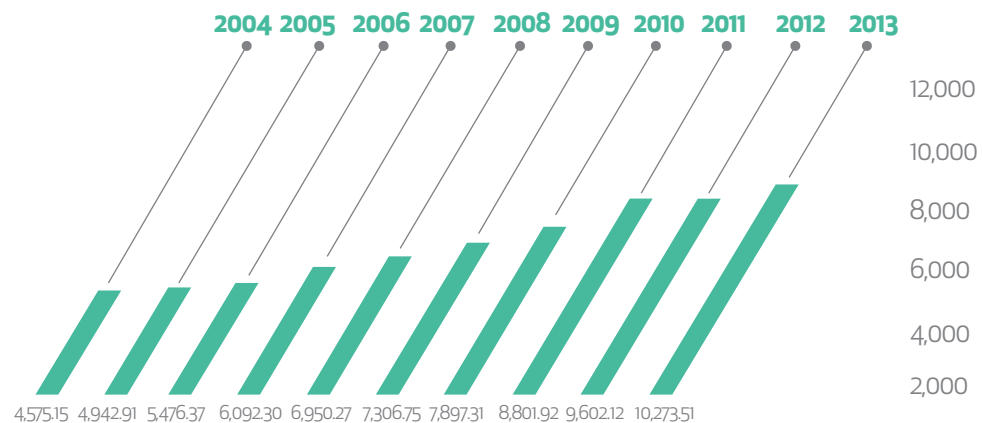
The Light Manufacturing industry in Guatemala has shown a sustained upward trend in recent years. In 2013, it represented a total income of US\$10,273 million, which accounted 19.11% of the nation's GDP.

During the last decade, Guatemalan went from producing around US\$3 billion (2001) to more than US\$10 billion (2013) accounting for a growth rate of over 120%. The evolution of the industry is mainly based on the efforts to transform it by producing goods with high added value and intensive use of technology such as: electronics, auto parts, chemicals and pharmaceuticals, among others.

It is also important to evaluate the behavior of some of this industry's main subsectors. In first place, machinery and equipment has shown an increase of 63% between 2007 and 2013. Other subsectors with significant growth are: plastics and rubber manufacturing (47%), and chemicals (35%).

Light Manufacturing Annual production (In US\$ million)

*Estimated Data
Source: Bank of Guatemala



4. LIGHT MANUFACTURING

Manufacturing, key export industry

The main export products are: plastics, paper and cardboard, chemicals, machinery and electromechanical devices. According to the Bank of Guatemala, exports in the sector have presented a 50% growth rate between 2007 and 2013 (US\$ 2,458 billion during 2013).

Between 2007-2011, the sector was able to attract an average of 22.3% of the total FDI attracted to Guatemala, generating a total investment of US\$885.1 million. These investments came mainly from the United States, Mexico and South Korea, establishing important world-class companies in the country such as: Bayer, Procter & Gamble, Rayovac, DuPont, 3M, Henkel, Isuzu and Sumitomo.



4. LIGHT MANUFACTURING

Some foreign companies that have trusted in Guatemala:



RAYVAC



Sumitomo

xerox



Henkel

3M



Walmart



Pfizer

Colgate

P&G

Key incentives for the sector

Guatemala has developed several incentives to make the country attractive for foreign investment. For investors interested in Guatemala's light manufacturing industry, laws like the "Free Trade Zones Law", "Promotion and Development of Exports and Drawback (Maquila) Activity Law", and "Free Trade Zone for Industry and Commerce Law" offer incentives for foreign companies, as they are exonerated of Rent Taxes, Value Added Taxes (VAT) and import taxes.

- "Free Trade Zones Law" (Decree 65-89): This law establishes that, by locating a company in one of the existing "Free Trade Zones", it can enjoy the following benefits: exonerated of the company's customs duties and value added tax (VAT) for all machinery, equipment, furniture, tools and other materials destined mainly for the construction of infrastructure.

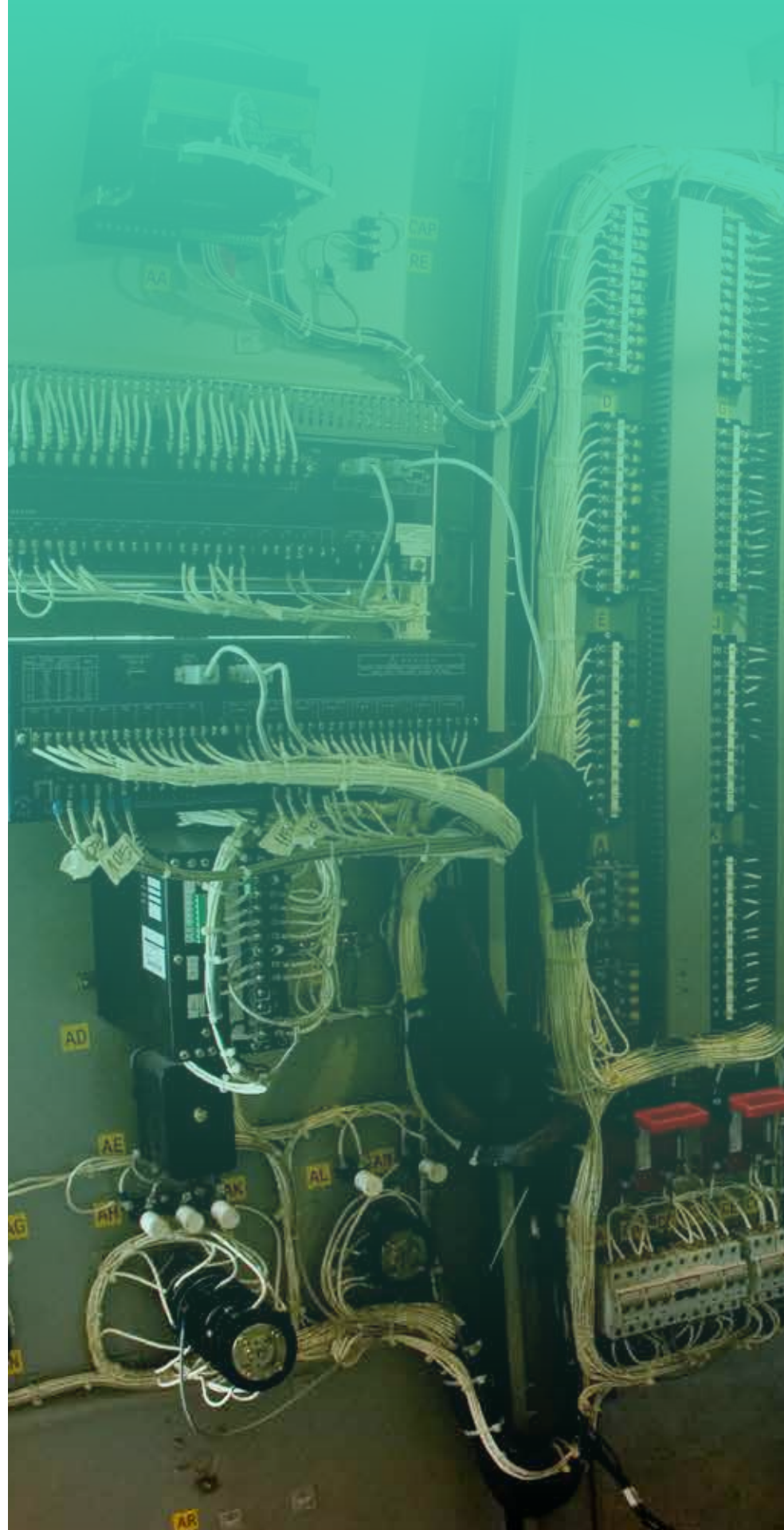
Also, this law offers 100% exemption of Rent Tax for up to 10 years, 5-year exonerated of Property Tax for all properties used in the "Free Trade Zone", and the exemption of all other taxes existing and to be created that could affect the equity and profits of the company, for this specific period of time.

There are currently in Guatemala a total of 18 "Free Trade Zones" located in Guatemala City (11), San Marcos (2), Escuintla (2), Santa Rosa (1) and Izabal (2).

- "Promotion and Development of Exports and Drawback (Maquila) Activity Law" (Decree 29-89): This law seeks to boost the exports of Guatemalan products and services by offering tax incentives to both national and foreign companies. Without any location requirements, it offers a temporary exonerated of customs duties, VAT, and the complete exonerated of Rent Taxes for up to 10 years and any ordinary and/or extraordinary export taxes for this period of time.

4. LIGHT MANUFACTURING

- "Free Zone for Industry and Commerce Law" (Decree 22-73): This law, commonly known in Guatemala as ZOLIC, for its acronym in Spanish) offers about the same incentives as the other laws in terms of tax exemptions. The main difference is that it seeks to develop big territories that would be dedicated to Industry and Commerce (a bigger concept of the "Free Trade Zones"). Nowadays, there is one ZOLIC located in the department of Izabal, near the Santo Tomás de Castilla port in the Caribbean Sea.



4. LIGHT MANUFACTURING

Free Trade Agreements

In addition to the existing incentives, Guatemala offers the advantage of several Free Trade Agreements and Preferential Trade Agreements with the major markets.

It is particularly important the advantages offered by the Free Trade Agreement with the United States (DR-CAFTA), which allows free trade with the United States. Added to this, the Central American Integration System allows free trade among the Central American nations which opens big opportunities (the biggest trading region is Central America representing 49% of all manufacturing exports).

Guatemala also has Preferential Agreements and Free Trade Agreements with Mexico, European Union, Taiwan and some other South American countries.

These agreements offer an invaluable opportunity for investors, added to the strategic geographical location of the country and the relatively short distance to the most important export markets.



IN FORCE: DR-CAFTA, Central America, Colombia, Mexico, Taiwan, Dominican Republic, Chile, European Union, Ecuador.

IN PROCESS: Peru.

IN NEGOTIATION: Canada, Trinidad and Tobago.

Relevant legal framework

Labor Law and Minimum Wage

The Guatemalan Government establishes the monthly minimum wage. For 2014, the monthly minimum wage is set on

Q.2,280.34 + Q.250.00 =Q.2,530.34

(approximately US\$325.00).

In addition to this, the employer also needs to add the costs for: Social Security, training and recreation, as follows:

- IGSS (Guatemalan Social Security Institute): By law, employers are required to contribute to this institution with an amount equivalent to 10.67% of the monthly salary of their employees. Also, each employee contributes with 4.83% of their own monthly salary. IGSS is the institution in charge of offering Social Security (mainly health and retirement) to all workers in Guatemala.

- INTECAP (Technical Institute of Training and Productivity): Employers are required to contribute to this institution an amount equivalent to 1% of the monthly salary of their employees. This institution offers, throughout its more than 30 campuses and delegations, training and certified studies for the Guatemalan labor force in a wide range of areas and with the objective of raising the employment opportunities for Guatemalans and help boost the nation's competitiveness and development.

- IRTRA (Institution of Recreation for the Employees of the Private Sector in Guatemala): This institution receives an equivalent of 1% of the monthly salaries of the employees of all private companies in the country. IRTRA is in charge of providing recreation opportunities for the employees of the private companies in the country through different parks and recreational centers throughout the country, including the theme parks Xetulul and Xocomil, the biggest theme parks in the entire Central American region.

4. LIGHT MANUFACTURING

Other relevant information that the Labor Code establishes in Guatemala includes working shifts, schedules and restrictions, and employment benefits.

Working Hours	Schedule	Can't Exceed
Regular Shift	6:00 to 18:00	8 hours per day / 44 hours a week
Night Shift	18:00 to 6:00	6 hours per day / 36 hours a week
Over Time	One regular shift can be extended with a mutual agreement between the employer and the employee, up to 4 more hours per day. Each hour of "overtime" has to be paid 1.5 times the regular hour wage	A regular shift cannot exceed (normal plus overtime) 12 hours per day.

4. LIGHT MANUFACTURING

Benefits	Description
Weekly Day Off	The employee has the right for one day off after 6 consecutive workdays. If the employee works during this day, those hours have to be paid as "overtime".
National Holidays	Guatemala has 13 national holidays, which are: January 1st, Holy Thursday, Good Friday, Holy Saturday, May 1st, June 30th, September 15th, October 20th, November 1st, December 24th (Half Day), December 25th, December 31st (Half Day), and the day of the local festivity (for Guatemala City is August 15th). If the employee works during these days, employer has to pay as overtime.
Vacations	Minimum of 15 days after one consecutive year of work. The employee acquires the right for vacations after 150 workdays.
Annual Bonus	Annual bonus equivalent to a monthly salary for employees that have worked during one consecutive year. This bonus has to be paid during the first 14 days of July.
Christmas Bonus	Annual bonus equivalent to a monthly salary for all employees that have worked for one consecutive year. This bonus has to be paid 50% during the first 15 days of December and the other 50% during the first 15 days of January.
Severance Payment	Only applicable in case of dismissal, when the employee had a contract of indefinite duration. The severance payment is equivalent to one monthly salary per year of work for the same employer. If the employee did not finish one consecutive year, the payment has to be proportional to the time worked for the employer.

4. LIGHT MANUFACTURING

Other Institutions that offer support for this sector are:



Guatemalan Exporters
Association
www.export.com.gt



National Competitiveness
Program
www.pronacom.org



Guatemalan Chamber of
Industry
www.industriagate.com

At Invest in Guatemala we are ready to help you...

Invest in Guatemala offers direct support to foreign investors looking for opportunities for investment. Expert consultants in each sector provide customized and professional counseling, including coordination of visits into the country, contacts and references, facilitation for the start of operations, practical and professional assistance, operational support and assistance during and after the establishment of operations in the country.

For more information,
please contact:

Karin de Leon
Investment Advisor - Light
Manufacturing & Garments and
Textiles
kdeleon@investinguatemala.org

Ph. (502) 2421-2490
13 calle 3-40, Zona 10, Edificio
Atlantis, Torre 2, 3 Nivel, Oficina 302

Guatemala City, Guatemala 01010
investinguatemala.org

