

GUATEMALA TEXTILES & APPAREL INDUSTRY



Guatemala has the most organized, integrated, and important supply chain in Central America. More than 500 companies with easy access to spinning, yarn, fabrics, accessories, embellishment, machinery, machinery parts and services, producers and distributors who operates from Guatemala and provide services to companies in El Salvador, Honduras and Nicaragua.

According to the Central Bank of Guatemala, in 2022 the industry registered exports of US\$2.25 billion, which represented 14.2% of the country's total exports, setting this industry as the main country's export.

Guatemala has managed to overcome the stage of basics and it's now in "Basic Fashion" productions, 54% of the exports is a value-added component.

The sector represents 8.9% of GDP, which is comprised of 2.5% from apparel and textiles production and 6.4% from other industries directly related to the sector. Throughout the past 25 years, since the inception of the industrial development of garment production in Guatemala, there has been an evident and permanent positive impact on the economy as well as on society.

Currently, the textiles and apparel industry in Guatemala generates more than 200,000 formal jobs, included in the total employment that the industry generates at the CAFTA region, which is estimated to be more than 463,000 direct jobs.



IMPORTANCE OF THE CAFTA-DR TEXTILE AND APPAREL SUPPLY CHAIN

Central America and the Dominican Republic can become important allies and partners to the United States in developing more resilient supply chains. In the case of the CAFTA-DR countries, an important regional value chain has developed between the United States, Central America and the Dominican Republic in the textiles and apparel industry.

CAFTA-DR has a proven track record of success spawning (generating) \$12.6 billion in annual two-way trade, which has led to the creation of jobs and opportunities between U.S.- Central American countries and Dominican Republic.

CAFTA-DR creates jobs and value, predicated on strong rules that give preferential market access to the United States, through a completely vertical regional production chain from base fibers through finished apparel and

other textile goods. The agreement also provides critical export market to the U.S. cotton industry, with the region consuming 25 percent of all U.S. cotton grown.

The CAFTA-DR has been the driver to the textile and apparel supply chain which competes with other regions of the world in the U.S. market.

This is especially true in the case of the textile and apparel supply chain which has been strengthened with the implementation of the Agreement, where cotton and synthetic yarn and fabric producers in the United have partnered with firms in Central America and the Dominican Republic to compete with producers from all over the world.

The strong, "yarn-forward" rules of origin brought – is bringing now - trade and invest



ment to our region and allowed us to make the necessary changes to compete against these highly subsidized economic agents and thus survive the onslaught we have faced in the last years.

From environmental aspects such as waste reduction / management, recycling, reducing carbon footprint, transitioning to renewable energy, reforestation; to social initiatives

benefitting workers and communities (education and health, etc), the CAFTA-DR agreement has promoted and strengthened the good practices in the region.



PARTNERING FOR NEARSHORING

Attracting Foreign Direct Investment (FDI) is key in order to optimize trade in goods and services and, thus, maximize the benefits of Free Trade Agreements (FTAs), such as creating opportunities for employment and entrepreneurship.

In the last two years, Central America has seen a new wave of investments -not seen since the implementation of the CAFTA-DR. Most importantly, these investments don't come only from the U.S. - but also originate in the region. Both U.S. and regional investors are putting their capital and knowhow to increase production capabilities in the region.

Recently announced as part of the call to action launched by Vice president Kamala Harris, companies such as PROTELA (Colombia) and NEXTIL (Spain), intends to establish operations in Guatemala that will strengthen the supply chain.

In addition, in the last two years, other companies have announced the creation of new investments in Guatemala, the Korean company HANSAE of about \$300 million, the Imperial Group of \$80 million, and other Korean companies that already operate in Guatemala, are making expansions that add up to more than \$20 million.

Finally, there have been other companies that have announced the start of operations in Guatemala, placing production orders that will have an impact in the creation of new sources of work, such as GAP, TARGET, and Columbia, also companies such as the Taiwanese MAKALOT, the Indian company Perl Global among others.

With these investments, mainly to make yarn, Guatemala is expected to double its spinning capacity.

VESTEX is the Guatemala Apparel and Textile Association that promotes exports and looks after the interests of the industry through strategic alliances. Member of CECATEC-DR (Central American - Dominican Textile and Apparel Business Council), organization that integrates the industry associations and chambers of apparel and textiles of the CAFTA-DR region, it anticipates and propose lines of action in favor of better market access conditions and represents its member organizations in trade policy issues.