



BG Consulting

Linking two worlds

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DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN

NEWS: BG CONSULTING

- BG Consulting's representative in Ecuador has been recently invited to join the group of negotiators of the Free Trade Agreement between this country and the United States of America.
- In Peru, BG Consulting is advising representatives of the public and private sector to promote exports.

•**The United States and the Dominican Republic** concluded the free-trade agreement that opens markets, phases out tariffs, strips away trade barriers and promotes economic growth and opportunity by fully integrating the Dominican Republic into the recently concluded Central American Free Trade Agreement (CAFTA).

•**Colombian** entrepreneurs have invested USD\$60M in textile plants to insure their

TRADE NEWS

ability to meet increased demand from U.S. importers seeking products that have become cheaper under the Andean Trade Preferences Act.

•**The US textile industry continues to struggle**, due primarily to foreign competition from China and Mexico, according to a report issued January 12th by the American Textile Manufacturers Institute, or ATMI. Textile employment nationwide fell by 10 percent in

2003, the second-worst annual performance for the industry in the last half century.



EVENTS

“**Food Expo 2004**”, the largest food trade show in Latin America and the Caribbean will be held in San Juan, Puerto Rico on April 3rd. More than 6,000 buyers from Puerto Rico and the Caribbean will attend the event.



“**IDEA 2004**” will showcase the latest in engineered fabrics, the technology behind them, raw materials and equipment. The conference will take place in Miami Beach, Florida and begin on April 27th; it will feature more than 50 technical and marketing presentations covering various aspects of nonwovens and engineered fabrics.

“**Techtextil North America**” participants from around the world will meet international decision makers, witness the latest technologies and review recent developments and trends

in the technical textiles and non-wovens sectors. The conference will be held in Atlanta, GA on March 30-April 1.

“**Material World Miami Beach 2004**” is a business to business event for textiles and related product manufacturers, as well as software, CAD and internet system providers. Material World will also include an exclusive presentation of garment manufacturers throughout the Americas in addition to their wide array of global textile mills. Material World Miami Beach is a

wholesale trade show open to members of the textile and related industries only. There is no cost for admission.



TRADE NEWS CONT'D

•Gov. Jeb Bush led a Florida mission to Central America starting Sunday to promote business and also push **Miami's bid as headquarters for the proposed 34-nation Free Trade Area of the Americas.**

promote business and push Miami's bid as headquarters for the proposed 34-nation Free Trade Area of the Americas. Bush and several dozen top executives visited Costa Rica, Honduras, El Salvador and Nicaragua. The groups aims to score

aim is to score both business deals and pick up at least one country's endorsement for Miami's bid to host the FTAA headquarters. The mission comes as the White House prepares to send the text of the U.S.CAFTA, to Congress for approval.

CAFTA would cut duties and other trade barriers for U.S. business with five Central American nations: Costa Rica, Honduras, El Salvador, Nicaragua, Dominican Republic and Guatemala.

TEXTILES

•The **Chilean** textile industry expects to double exports to the U.S. 2004 in light of a new the **Free Trade Agreement (FTA)** with the United States. In Chile, The FTA has reduced duties on textiles from 38% to practically 0%.

•The US government has taken two steps to **limit growth of textile and apparel imports from China.** Using the "safeguard mechanism" in the US/ China textile agreement, the Committee for the Implementation of Textile Agreements (CITA) has requested "consultations" with the Chinese government on limiting import growth for bras, knit fabric, dressing gowns and robes. CITA has imposed interim quotas limiting growth in those categories to 7.5 percent over current shipments.

•Under the Andean Trade Preferences and Drug Eradication Act (ATPDEA), **Peru's** clothing and textile exports to the United States grew 28% in 2003 and growth is expected at 20% in 2004, according to the Lima Chamber of Commerce.

•Cao Xinyu deputy director of the China Chamber of Commerce of Import and Export of Textiles predicted that **China would not monopolize the world textile market by 2005** even if quotas limiting textile and apparel flows are eliminated. Source: China Daily, Tuesday February 17th, 2004.

•US Trade Representative, Robert Zoellick, made the following remarks regarding the **role of the textiles market between the U.S. and Central America:** "One of the largest components of our trade with Central America is textiles and apparel," Zoellick said. "Central American clothing factories are facing tough new competition from suppliers across Asia, but Asian clothing factories do not buy as much U.S. textiles or yarn as our neighbors in Central America do. CAFTA will encourage factories in Central America to continue to use textiles and yarn from U.S. factories, but this agreement also allows Central American factories to use some materials from our NAFTA partners, Mexico and Canada."

Companies in **Nicaragua** are allowed to use foreign fabrics from all over the world, particularly from Asia, in apparel production and still receive duty-free entry to the U.S.

There is a "**single transformation rule**" for boxer shorts, nightwear, pajamas and bras for the entire region. As such, if fabric is cut and sewn in the region, fabric and yarns from any country can be used and receive duty-free entry into the U.S.



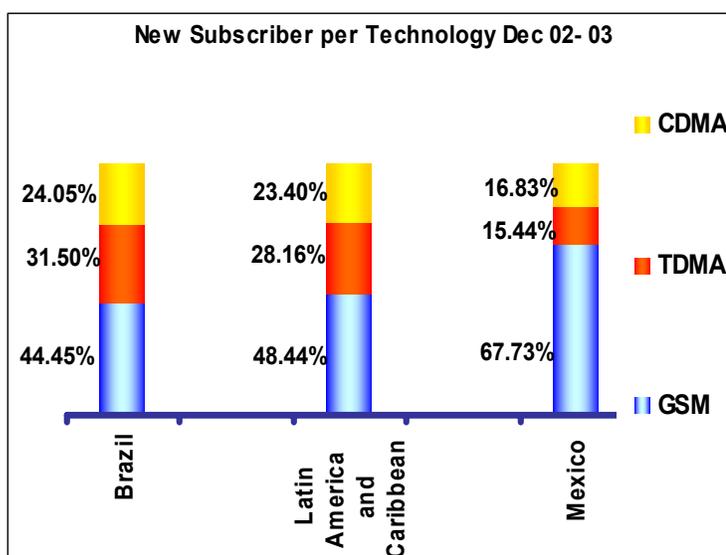
On November 22, the U.S. and Colombian governments will publicize the beginnings of a **free trade agreement** between the two countries.



TELECOMMUNICATIONS

• Samsung Electronics Latin America S.A. opened an office in **Puerto Rico** seeking to increase sales and by launching new products in the cellular and consumer products divisions. Samsung Electronics Latin America President, Yong Jin Park, told CARIBBEAN BUSINESS that providing middle and low-end products to consumers in Puerto Rico represented a potential avenue from growth.

• 3G Americas reported 100% annual growth for GSM in 2003, giving GSM the highest growth of any wireless technology in the Western Hemisphere. GSM is topping every other wireless technology in Latin America, increasing its subscriber base by almost 150% in 2003.



REGIONAL ECONOMIC DATA

The Economic Commission for Latin America and the Caribbean (ECLAC) released a review of regional economic trends predicting high regional growth rates in 2004. Below are some of the Commission's findings:

GDP Growth:

- The regions economy grew 1.5% in 2003 and is predicted to grow at 3.5% in 2004.
- Argentina's GDP recovered growing at 7.3% in 2003. Chile, Costa Rica, Columbia and Peru posted growth rates of over 3%.

Trade Growth:

- For the first time in fifty years, Latin America's current account posted a surplus in 2003, of US\$6 Billion. In Central America, the Andean Community and Chile, sales abroad increased by 5%. In MERCOSUR the same measure improved by 17.9%.

Expectations:

- ECLAC predicts inflation to remain low, real wages to improve and employment to increase due to overall economic growth.
- ECLAC estimates Argentina and Brazil's GDP to grow at 4.5% and 3.3% respectively, driven by a rebound in domestic demand, falling domestic interest rates and growing manufacturing activity.



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BG Consulting is a multidisciplinary consulting firm specialized in assisting business and governments of developing countries through a combination of political, economic and legal analysis.

For business, we offer mechanisms to develop the global strategies of business organizations in their investments and international transactions.

For governments, we identify strategies for development and help them to achieve an appealing investment climate, efficient institutions, transparency, appropriate incentives to the public and private organizations as well as knowledge of the opportunities that the new international context offers.

We also provide services to settle investment disputes for both investors and host States.