



**BG Consulting**  
*Linking two worlds*

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NEWSLETTER

May 2004

# DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN

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## LAC ECONOMIC DATA

In an effort to eliminate obstacles to investments and job creation The Honduran government and the Inter-American Development Bank signed an aide-memoire to collaborate on an initiative to improve the business climate in Honduras

The International Monetary Fund forecast that Latin America would snap out of several years of slow growth, but warned the region's governments to control spending.

In its twice-yearly World Economic Outlook, the Washington-based lender forecast the region's economy would grow 3.9 percent in 2004 and 3.7 percent in 2005. The IMF raised its 2004 growth estimate for Latin America from 3.6 percent projected last September, reflecting a better outlook for big economies like Brazil, Argentina and Mexico.

The region is likely to turn in its strongest showing since 2000, according to IMF data.



## TRADE NEWS

According to the USTR release, Peru "has intensified its efforts in recent weeks to resolve outstanding disputes with U.S. investors, in a manner consistent with Peruvian law."

In May, United States Trade Representative (USTR) Zoellick announced the commencement of a free trade agreement between the U.S. and Colombia. The USTR explained that the planned reduction in tariffs may soon be extended to Peru and Ecuador.

In garments, Colombia exported US\$ 291million in the first 7 months of the year. Of those, US\$ 135 million were exported through ATPDEA.

AméricaEconomía.com reports that Peruvian Exports to the US grew by 19.5% in 2003. This increase is attributed to the preferences established in the ATPDEA. 99.5% of the exported products fell within the ATPDEA framework. According to a report by the Lima Chamber of Commerce, textile and apparel sales reached US\$505 Million, an increase of 28% compared to 2002.

Additionally, the agricultural sector, which grew by 13.9% and registered sales for US\$199 Million, also helped promote this increase in



exports.

Exports to Latin American grew by 8.3% in 2003 according to CEPAL, to US\$388,000 Million, driven by an increase in the price of raw materials.

The US and Central America will go over the details of their trade agreement on May 28th. Mario Arana, Nicaragua's Minister for Fomento indicated that the agreement could start as soon as January 2005.

South American textile and apparel companies have joined their North American, European and African counterparts in backing an emergency meeting of the WTO to delay the phasing out of quotas in 2005.

**UNILEVER ALLOCATED MORE THAN \$10 BILLION PESOS TO R&D AND MARKETING IN PREPARATION FOR ENTRANCE INTO THE HAIR-COLOR MARKET IN COLOMBIA. COMPETITORS WILL INCLUDE HENKEL, L'OREAL, RECAMIER AND WELLA.**

## TEXTILE INDUSTRY

Textile exports from Peru rose 21.5 per cent to US\$824 million for 2003, the Peruvian Association of Exporters (ADEX) has revealed.

According to ADEX, 78 per cent of total textile exports for the year were to the United States.

In 2003 South America exported US\$1.55 billion worth of footwear. Footwear exports from Brazil grew 17%, to US\$451 million, in the first quarter of fiscal 2004. During the same period footwear exports to the UK rose to US\$19.2 million, an increase of 35%.



## TELECOM INDUSTRY

La Paz telecoms cooperative Cotel will invest approximately US\$30 million in 2004 to install new lines and start cable television services, among other projects, the Bolivian operator's president Pierre Chaín told BNamericas.

## FOOD AND DRINK INDUSTRY NEWS

KRAFT FOODS Latin America & Asia Pacific (LAAP) net revenues increased 6.3% driven by favorable currency and pricing actions, partially offset by adverse mix. Volume was up 0.4%, from gains in Argentina, Brazil, Venezuela and China. Venezuela's growth reflects a soft year-ago period when the country was affected by a national strike.

Mars Inc. the U.S. based

producer of chocolates and candies has made a formal bid to acquire Garoto, a Brazilian candy manufacture to increase in market share and distribution capabilities in Latin America.

In Peru, banana exports grew by 43.2% in the first quarter, reaching a value of US\$ 2.98 Million. The US is Peru's biggest importer. Source: Asociacion de Exportadores (ADEX)

**MINCETUR, A PERUVIAN COMPANY, PRESENTED ITS JEWELRY AND ARTISAN BIJOUX STRATEGIC EXPORTING PLAN WHICH AIMS TO INCREASE THE SUPPLY OF THESE PRODUCTS IN INTERNATIONAL MARKETS.**

## OUTSOURCING IN LAC

### JAMAICA LEADS CARIBBEAN RIVALS IN ICT SERVICES

The Jamaica Promotions Corporation (JAMPRO) is reporting that Jamaica leads 10 other Caribbean territories in information and communication (ICT) outsourcing. A JAMPRO spokesman indicated that 13, mostly US based companies, seeking more near-shore operations, currently outsource in Jamaica and employ over 5,000 residents. In the aggregate, the ICT sector contributes approximately \$1 billion annually into Jamaica's economy.

Jamaica specializes in inbound and outbound call center services, a sector which is predicted to see rapid growth of 3,000 new positions this year.

### OUTSOURCING EXPO

Outsourcing companies from all over the world, including the Caribbean, gathered as part of the annual TechXNY/PC Expo show in New York. According to Computerworld, companies who typically would have outsourced to India have begun contemplating using the Dominican Republic, Trinidad & Tobago and Grenada for their outsourcing needs.

Companies like BPM Outsourcing and Accelerated Computer Technologies Inc. are now offering a combined approach with management offices in North America and actual outsourcing operations in other countries, namely in Grenada and the Dominican Republic.

### CALL CENTERS GENERATE SALES OF \$214 BILLION PESOS.

The Call and Contact Centers Andean Congress met in Colombia to create strategies to increase export levels. In 2003 this industry generated sales of \$214 billion pesos, and sales for next year are expected to reach \$300 billion pesos.

Call centers are registering a rapid growth globally and 2005 sales are projected to be around US\$76 billion.





**BG Consulting**  
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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.

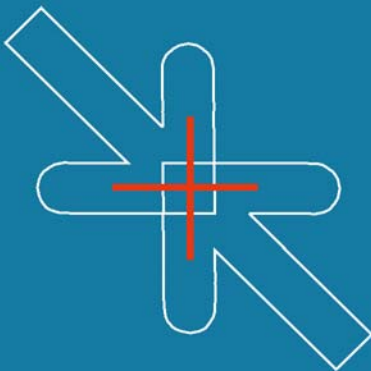
For governments, we identify strategies for development and help them to achieve an appealing investment climate, efficient institutions, transparency, appropriate incentives to the public and private organizations as well as knowledge of the opportunities that the new international context offers.

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

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**BG CONSULTING IS INVOLVED IN A PROJECT TO ENHANCE THE BUSINESS CLIMATE OF CENTRAL AMERICAN ECONOMIES. IT IS ALSO INVOLVED IN A PROJECT TO INCREASE TRANSPARENCY IN PANAMA'S CUSTOMS ADMINISTRATION.**

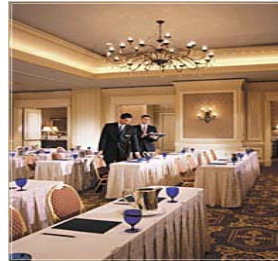
## FORESTRY INDUSTRY



During the last three years, the Venezuelan Corporation of Guiana, through subsidiary CVG Proforca has developed a Caribbean Pine plantation

program of about 500 thousand hectares, and plans to add an addition 900 thousand hectares to the program in the next year to increase their output of pulp. The Chilean Wood Corporation CORMA projected 11% growth of lumber-related exports in 2004 (US\$ 2.8 million). CORMA plans to expand their product portfolio focusing on high-value added products such as laminated panels, window and door frames.

## SEMINAR AND UPCOMING EVENTS



BG Consulting will be hosting the "DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN SEMINAR" You cannot miss the event if your

company is currently doing business with, or is thinking about engaging in business with the Region. Learn about CAFTA, ATPDA and FTAA, and even learn about doing business with China through LAC.

The event will take place on November 9th, 2004 at the Ritz Carlton Washington DC hotel. You can obtain a detailed agenda or register by going to: <http://www.bg-consulting.com/events>

## BG CONSULTING NEWS AND PUBLICATIONS

Omar Garcia appeared on CNN in Espanol where he talked about the arbitration cases pending in Argentina. In a second interview he spoke about opportunities of Outsourcing in Latin America. Maria Gabriela Sosa, VP of BG Consulting also appeared on CNN where she spoke about new initiatives to eradicate

customs corruption.

Omar Garcia published an article on "Foreign Investment Disputes Under ICSID" on the Journal of World Investment and Trade. He also published in the International Law and Mercosur publication.

**THE INTERNATIONAL TEXTILE GROUP OF GREENSBORO IS BACKING UP THE CENTRAL AMERICAN FREE TRADE AGREEMENT WITH A MAJOR INVESTMENT IN GUATEMALA; IT WILL SPEND \$50 MILLION TO BUILD A DENIM PLANT .**