



BG Consulting
Linking two worlds

NEWSLETTER

4

July 2004

DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN

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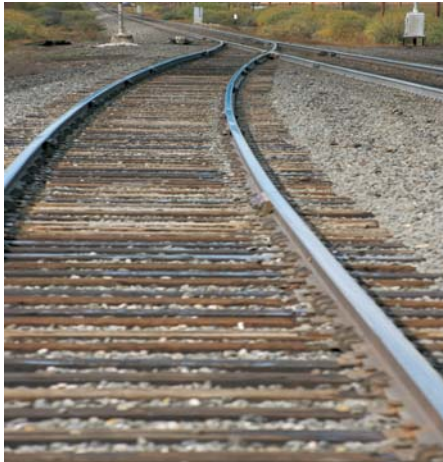
CAFTA

CAFTA SIGNED: CAFTA WILL IMMEDIATELY ELIMINATE TARIFFS ON MORE THAN 80 PERCENT OF U.S. EXPORTS OF CONSUMER AND INDUSTRIAL PRODUCTS, PHASING OUT THE REST OVER 10 YEARS. WITH THE ADDITION OF THE DOMINICAN REPUBLIC, CAFTA IS THE 2ND LARGEST U.S. EXPORT MARKET IN LATIN AMERICA, BEHIND ONLY MEXICO, BUYING MORE THAN \$15 BILLION IN U.S. EXPORTS.

CAFTA IS A KEY EXPORT MARKET FOR IMPORTANT U.S.

MANUFACTURING SECTORS SUCH AS INFORMATION TECHNOLOGY PRODUCTS, AGRICULTURAL AND CONSTRUCTION EQUIPMENT, PAPER PRODUCTS,

CHEMICALS AND MEDICAL AND SCIENTIFIC EQUIPMENT, ALL OF WHICH WILL ENJOY IMMEDIATE DUTY-FREE ACCESS. MORE THAN HALF OF CURRENT U.S. FARM EXPORTS TO CENTRAL AMERICA WILL BECOME DUTY-FREE IMMEDIATELY, INCLUDING HIGH QUALITY CUTS OF BEEF, COTTON, WHEAT, SOYBEANS, KEY FRUITS AND VEGETABLES, PROCESSED FOOD PRODUCTS, AND WINE, AMONG OTHERS.



TRADE AND POLICY NEWS

CAN-MERCOSUR Free Trade Agreement to Take Effect in August

The free trade agreement between the Andean Community and MERCOSUR will take effect in August, 2004, eliminating tariffs on 1,150 tariff codes.

Raw materials, basic materials, flowers, fruits and other goods will become duty free immediately after the agreement takes effect. Tariffs for textiles, paper and processed foods, among others, will be gradually eliminated over the next six to fifteen years.

June 21, 2004. FTA Negotiations with the US Move Forward.

A second round of free trade negotiations among Colombia, Ecuador, Peru, and the US took place in Atlanta on June 14-18. Some 300 representatives from participating countries attended the talks. Negotiators continued to exchange information, paying special attention to sensitive issues such as the agricultural sector and intellectual property. A third round of talks will take place in Lima, Peru, on July 26-30



Central America Agrees to Colombia's Participation in Plan Puebla-Panama

Central American countries have given the go-ahead for Colombia to participate in the Plan Puebla-Panama regional integration initiative. Colombia expects its participation in the plan to boost trade with Central America and to generate new investment opportunities.

Colombia will initially take part in infrastructure projects, such as interconnecting Colombia and Panama's electricity systems, promoting the Venezuela-Colombia-Panama gasoline and participating in the construction of a highway connecting Colombia and Central America.

These projects will boost regional investment, offer increase opportunities and alternatives to companies based in Colombia, and generate new investment possibilities.

INDIA-LAC TRADE POTENTIAL 'ENORMOUS,' FORUM TOLD

Trade expansion for developing countries has only just begun and the potential for reciprocal exchange within South Hemisphere nations is "enormous", government and business representatives participating in an international forum in Rio de Janeiro agreed in June.

Emblematic to this new reality, are the closer ties between India, with its market of one billion people, and Mercosur, the Southern Common Market comprising of Argentina, Brazil, Paraguay and Uruguay, with a combined population of 225 million.

Trade between the South American bloc and India could

increase 16-fold if countries take advantage of all existing possibilities, says the secretary-general of the United Nations Conference for Trade and Development (UNCTAD), Brazil's Rubens Ricupero.

An UNCTAD report states that Mercosur exports could reach \$ 13.6 billion and India's could reach 12.7 billion, based on projected flows from 2000 to 2002 and the huge market demand on both sides of the agreement.

Modi stressed that, in addition to trade, India country is looking to attract investment from Mercosur, particularly from Brazil and its bigger corporations.

TECHNOLOGY NEWS

GSM technology on the rise in Latin America

The use of GSM technology in mobile telephony is growing more quickly in Latin America than in any other region in the world. The number of handsets using the system reached 29 million in March 2004, an increase of 190% in one year. Over the same period, worldwide growth was 26%. Erasmo Rojas, director of 3G Americas for Latin America and the Caribbean, said that by the

end of 2004, GSM would overtake CDMA technology in the region. 3G Americas is a grouping of operators, manufacturers and software developers created to stimulate use of GSM in the Americas.

According to Anatel, the Brazilian industry regulator, in May 2004 there were 11.1 million GSM users in Brazil, following growth of 307.6% in 12 months. Mobile customer's use all standards in Brazil increased by 67% in a year, to

PROFILE OF THE MAQUILLA AND APPAREL SECTOR OF HONDURAS

In 2002, Honduras exported 121.1 million garments, making it the largest supplier of clothing in Central America. The country is also the third largest foreign supplier to the USA, after China and Mexico. In November 2003 the maquila sector consisted of about 176 manufacturing companies, most of which are members of Asociación Hondureña de Maquiladores (AHM). The sector began to boom in the late 1980s following implementation of the US Caribbean Basin Initiative (CBI) and passage of the Honduran Export Processing Zone Law, which provides incentives to national and foreign investors.

One important recent development has been a significant increase in added value. This reflects the gradual transformation of Honduran companies from "807" manufacture—involving the assembly of US components—to "full package" operations, where the manufacturer receives detailed specifications from the buyer and is then responsible for acquiring the inputs and coordinating all parts of the production process. Honduras is well equipped with suppliers of apparel components and accessories and fabric production is growing rapidly.

The transformation into full package production is especially important to Honduran firms after December 31, 2004, when quotas restricting global textile and apparel trade are due to be eliminated. In 2005 the quota-free access enjoyed by Honduran garment manufacturers in the US market—upon which 90% of their output depends—will cease to be a competitive advantage. However, Honduran manufacturers should gain from the Central America Free Trade Agreement (CAFTA) which will enable the use of Mexican materials without losing preferential access to the US market.

TECHNOLOGY NEWS CONTINUED...

52.4 million. Of the total number of mobile users, 78.8% use pre-paid accounts.

Cellular phone market in Brazil Grows by 4%

Anatel, informed that the cellular phone market grew by 4.1% in May, making May the month with the highest growth this year.

Anatel forecasts that the market will grow by 25% in 2004, reaching an astounding figure of 58 million cell phones.

Intel announces \$110 million investment in Costa Rica

Last week Intel announced the investment of \$110 million in Costa Rica for the manufacturing of "chipset", a component that supports and enhances the performance of microprocessors in personal computers. Intel's new investment speaks to both the success of the current operations in Costa Rica and to the company's view of prospects for the country's business climate. The new project will add to Intel's current Costa Rican operations, two plants, which produce 22-25% of chipmaker's global volume. Other companies such as Abbot, Procter and Gamble, Baxter, Sykes and Western Union, among others similar to Intel, have trusted Costa Rica



and established some of their overseas operations in this country.

PROESA announces the establishment of a Call Center in El Salvador

John Sykes, the Chairman and CEO of Sykes Enterprises, Inc. and the President of PROESA, Carlos Quintanilla Schmidt, recently announced the establishment of the first American Call Center that will operate in El Salvador and employ bilingual Salvadorans. Sykes' investment ranges between 6 and 8 million dollars according to statements made by Mr. Sykes, who stated that during the initial phase of operations they would hire 400 bilingual operators.

MEXICO: Lectra Opens New Advanced Technology Centre

CAD/CAM solutions provider Lectra has opened a new International Advanced Technology Centre (IATC) in

Mexico City. The centre, strategically located for Lectra's growing North American customer base, is the fourth IATC to be opened company.

"With the opening of the IATC in Mexico, a central place for manufacturing, we reinforce our commitment to the region and to building added-value partnerships with our customers."

additional income for Rhodia of US\$260 million a year, based on the plant's full production range.

"Brazil is one of the company's strong points," said Clamadieu, adding that in this new period for Rhodia, Latin America and Asia – and more specifically Brazil and China – would feature strongly in investment plans.

Colombia, a healthy market for pharmaceutical companies

The Venezuelan company Locatel, dedicated to the commercialization of pharmaceutical products, has decided to enter the Colombian market, initiating operations in the country through the concession of the master franchise to national investors. Locatel's arrival to Colombia is a confirmation that the country is becoming more attractive to investors in different economic sectors; providing evidence of the increased confidence and support of the business sector in the economic and security policies of the government.

PHARMACEUTICALS

Rhodia increases production of phenol with the addition of a Brazilian Plant

French multinational Rhodia, has inaugurated a new phenol unit with capacity to produce up to 165,000 tons a year, and 101,000 tons of acetone, as well as intermediary products.

The new phenol unit at Paulínia is expected to produce



Abbott establishes business in Costa Rica

Abbot Laboratories established Hospira in Costa Rica. Hospira, which manufactures and commercializes medical products, will be second largest plant of its kind in the world.

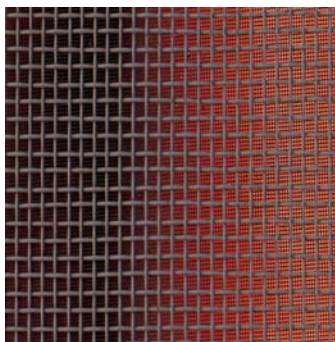
TERRANOVA STRENGTHENS PRESENCE IN COLOMBIA: THE CHILEAN MULTINATIONAL MASISA WILL STRENGTHEN ITS PRESENCE IN COLOMBIA; WHERE IT HAS OPERATED FOR TEN YEARS, REPRESENTED BY THE COMPANY TERRANOVA.

TEXTILES INDUSTRY

CHINA: Chinese Textile Companies Invest In Developing Countries: Chinese textile companies are increasing investment in developing countries fearing competition from China's massive textile export sector, the country's assistant minister of commerce Yi Xiaozhun said .

PERU: Textile Exports Soar 32.4% in Jan-May: Textile exports from Peru jumped 32.4 per cent year-on-year to US\$424 million for the five months to end May, exporters association ComexPeru has revealed.

Apparel maker G&K Services has shifted work from two of its Mississippi plants to the



Dominican Republic. G&K spokeswoman JD Bergquist Wood said the move would allow the company's United States plants to produce other merchandise that is currently outsourced.

Shoe Exports Up 15% In 2004 in Brazil : The Brazilian Association of Footwear Industries, Abicalcados, said shoe export earnings in the first half of 2004 were \$844 million, up by 15% over the same period of 2003.

FOOD AND DRINK INDUSTRY NEWS

Jun 28, 2004. Disa Invests US\$ 20 Million to Gain Market Share

Unilever affiliate Disa, which specializes in processed foods, plans to invest US\$ 20 million to increase its market share in Colombia. Specifically, the company will seek to boost its Fruco brand's new bouillon products, forecast to growth by 10% by the end of the year. Disa's forecast is based on the growth of the bouillon market in Colombia and on the

company's annual sales of US\$ 65 million. The Fruco brand is responsible for US\$ 30 million of the company's total sales.

Disa invested US\$ 15 million between 2001 and 2003 in machinery adaptation and training. The company's foreign markets include Peru, Venezuela, Ecuador and Bolivia, with exports representing between 15% and 20% of total sales.

THE BOLIVIAN FORESTRY INDUSTRY

Bolivia's geographical location in the center of South America makes it especially valuable as a forestry hub, covering three regions each with its own climate: tropical; sub-tropical and high valleys. According to the World Resources Institute, Bolivia's forests are the eighth largest in the world and contain 1,730 tree species; one of the most diverse in the world. There is a high availability of both traditional woods, such as mara (mahogany), cedar (oak), quince tree (almendrillo), and alternative woods (See pecies listed below).

According to many industry players, the quality of Bolivian wood is superior to that of US or European wood. This is a major advantage for Bolivia in manufacturing wood products, particularly home furniture.

Saw wood is the single most important product in the local wood industry. The industrial forestry establishment is basically comprised of sawmills, producers of laminate and plywood, and reconstituted particle board producers.

In the case of higher value-added products such as home

furniture, chairs and doors, as well as parquet, the country's major export markets are the US and Germany. Many Bolivian companies are successfully exporting to the US market, taking advantage of the high quality of their wood. Examples of this include solid wood doors sold through 120 Home Depot outlets; the parquet used in major hotel chains in the US, including the Ritz-Carlton Downtown Hotel in New York and the San Francisco Four Seasons Hotel, and home furniture sold through Rubb & Stucky, a leading US merchant.

Bolivians forestry species - Common Names
Ochoo, Cedro, Oak, Cambará, Yesquero, Serebó, Mahogany, Tajibo, Almendrillo, Yesquero Blanco, Mara Macho, Bibosi, Verdolago, Palo María, Mapajo, Curupaú, Tarara



BG CONSULTING IS REPRESENTING TWO BOLIVIAN WOOD COMPANIES IN THE U.S.: AN OUTDOOR FURNITURE COMPANY AND CUT WOOD PRODUCE. INTERESTED PARTIES SHOULD CONTACT BG CONSULTING FOR FURTHER CONSULTATIONS.



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.

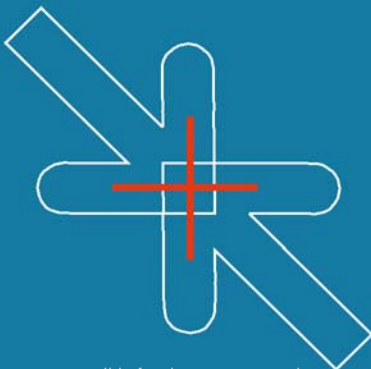
For governments, we identify strategies for development and help them to achieve an appealing investment climate, efficient institutions, transparency, appropriate incentives to the public and private organizations as well as knowledge of the opportunities that the new international context offers.

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

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EMBRAER REAFFIRMS ITS INTENTION TO DELIVER A TOTAL OF 160 PLANES IN 2004. THE COMPANY CLOSED THE MONTH OF JUNE WITH A PORTFOLIO OF US\$10,500 MILLION IN ORDERS AND \$US28,300 MILLION IN PURCHASE OPTIONS.

OTHER INDUSTRY NEWS

CAISA Opens Packaging Plant In El Salvador

Cajas Internacionales S.A. de C.V. (CAISA), an El Salvador-based packaging plant financed by Korean and US investors, has begun operations and now offers complete packaging and shipping solutions to exporters operating in Central America.

After 60 years of operations in

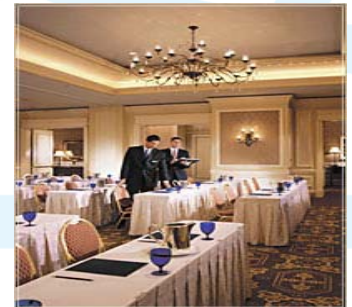
Colombia, the multinational tire maker, **Goodyear**, continues to believe in the country, as expressed by Eduardo Fortunato Ortiz, President for Latin America. Goodyear has its production plant in the city of Yumbo (Valle de Cauca), and exports 70% of its production to countries such as: Ecuador, Mexico, and some countries in Central America.

SEMINAR AND UPCOMING EVENTS

Bg Consulting will be hosting the :

LATIN AMERICA AND THE CARIBBEAN and SOUTH ASIA BUSINESS OPPORTUNITIES SEMINAR"

The event will take place on November 9th, 2004 at the Ritz Carlton Washington DC hotel. You can obtain more information or register by going



to:
<http://www.bg-consulting.com/events>

BG CONSULTING NEWS AND PUBLICATIONS

BG Consulting has signed an alliance with ERG. This alliance's aim is to provide consulting services to Companies interested in doing business between LAC and INDIA/SOUTHEAST ASIA regions.

www.globalintelligence.com

Marc Ricart published a paper on outsourcing: Outsourcing to Latin America and the Caribbean: Creating a Strong Regional Block. The paper can be found at:

BG Consulting has become a research partner of the Global Intelligence alliance

www.bg-consulting.com/publications.html

CARREFOUR INVESTS COP\$ 60 BILLION IN THE CONSTRUCTION OF A STORE IN BARRANQUILLA COLOMBIA, BRINGING THE NUMBER OF ITS STORES IN COLOMBIA TO 12.