TradeSource

Help Abroad for U.S. Companies

July 2013
Issue 7

LOOK SOUTH

Mexico is a Springboard to Attractive New Markets in Latin America

By John Larsen, Trade Promotion Coordinating Committee, International Trade Administration

Exports can drive company revenue growth when expanding from one to multiple markets. More than 58 percent of U.S. exporters sell to only one foreign country, usually Canada or Mexico. This group of U.S. exporters together represents less than 5 percent of overall U.S. exports.

We want you to know about the opportunities and resources available to help you expand into new Latin American markets. That's why this edition includes the following articles:

Continued on page 2

U.S. Free Trade Agreements Boost Prospects in Latin America

"Our Latin American trade agreements, which cover over 70 percent of our regional trade, do more than just eliminate tariffs. Companies in the United States and Latin America benefit from commitments that facilitate transparent rule-making, predictable legal frameworks, strong intellectual property rights protections, and regulatory certainty at home as well as in global markets. Our trade agreements, in a sense, provide a playbook for small companies about how to succeed in these markets—they remove tariff and non-tariff barriers, and provide transparency, predictability and recourse."

Francisco J. Sánchez, U.S. Under Secretary for International Trade

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LOOK SOUTH—Con.

Grow Your Exports by Adding New Markets

Expanding export markets improves your bottom line. From the individual firm's perspective, selling to just one market equates to average exports per company of $375,000. Contrast that to companies exporting to 2–4 markets that average exports of more than $1 million per company, companies exporting to 5–9 markets that average more than $3 million each, and companies exporting to 10–24 markets that average more than $11 million each.

Expanding to other Latin American markets requires only marginal additional effort because it builds on your export experience in Mexico. You will see throughout this edition, plenty of on-the-ground export assistance is available from the U.S. government. With this support, you never have to "go it alone" when you want to export to Latin America, or elsewhere for that matter!

"LOOK SOUTH" to Latin America!

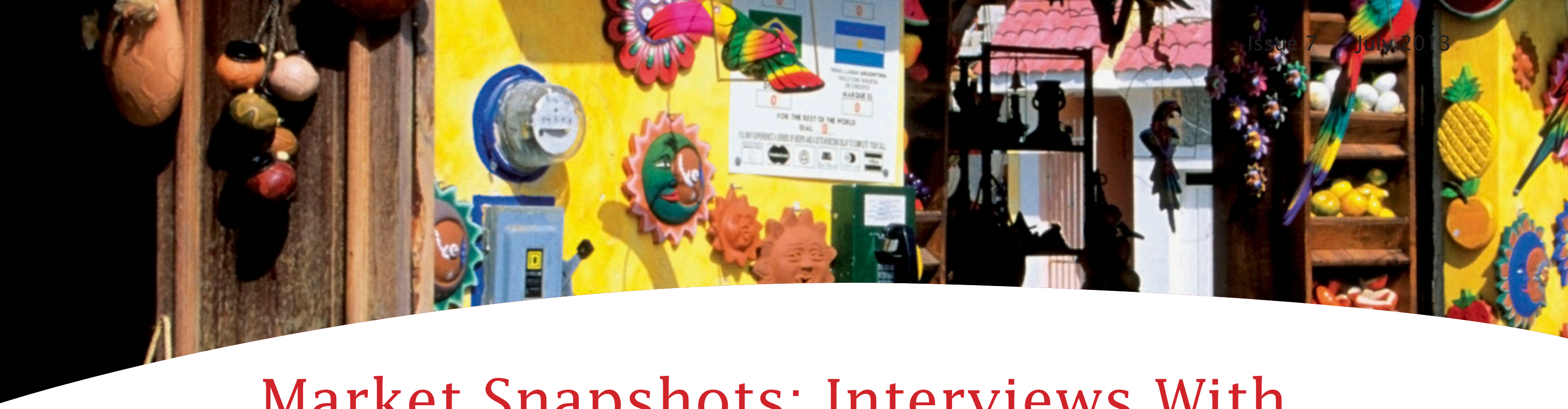
Mexico is our second-largest trading partner (Canada is the largest), with record U.S. merchandise exports of $216.3 billion in 2012. This "LOOK SOUTH" campaign encourages more than 54,000 U.S. companies already exporting to Mexico to expand exports to other Latin American markets.

And why not? This approach makes strategic sense since those companies who already export to Mexico successfully naturally have a fundamental understanding of what it takes to do business in the Latin American business culture, including familiarity with the Spanish language and customs.

"LOOK SOUTH" focuses on Chile, Colombia, Panama, and Peru as offering the unique combination of (a) similar language and business cultures (to Mexico); (b) market size; (c) robust economic growth; and (d) free trade agreement (FTA) partner country status. In each of these FTA partner countries, U.S. companies enjoy several competitive advantages, including lower tariff rates (reduced to zero for most goods) and more stable and transparent business environments.

The Data Proves It

Latin American exports are growing by a steady 3 to 4 percent annually, according to the International Monetary Fund. U.S. goods exports to Latin America rose 9 percent from 2011 to 2012, compared to 4.4 percent for overall U.S. exports. Moreover, the region is home to 11 FTA partner countries, a big reason for our export success there. In addition to Mexico, these countries include Chile, Colombia, Panama, Peru, and the six countries of the Dominican Republic—Central America FTA or "CAFTA-DR" (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua).



Market Snapshots: Interviews With Senior Commercial Officers in Target Markets

Mexico: Key Growth Market and Springboard to South America

Q&A with Dorothy Lutter, Senior Commercial Officer, U.S. Embassy in Mexico City, Mexico

Q: Why is Mexico a good market for exports? What advice can you give companies who haven't yet considered the Mexican market?

A: Mexico is a market of 115 million people and is the largest Spanish speaking country in the world. It boasts low unemployment, low inflation, balanced trade, strong and sustained economic growth, and political stability. Since 1993 and the implementation of the North American Free Trade Agreement (NAFTA), Mexican and U.S. gross domestic product have each grown by 56 percent. Bilateral trade has increased fivefold to over $500 billion per year.

Mexico is the destination for more U.S. exports than all of the BRIC (Brazil, Russia, India, and China) countries combined. Mexico is the United States' second-largest export market and its third-largest trading partner, while the United States is Mexico's number one trading partner. American companies and American workers throughout the country depend on the Mexican market to boost sales and to support American jobs.

Mexico has free trade agreements with 44 countries, more than any other country in the world, and their entry into the Trans-Pacific Partnership negotiations provides an invaluable opportunity to build on the foundation of NAFTA. During President Obama's trip to Mexico earlier this year, he announced a new High Level Economic Dialogue (HLED) to further elevate and strengthen our dynamic bilateral commercial and economic relationship. As a market of opportunity for U.S. exporters, Mexico is not only accessible and open, but also strategically located and rapidly expanding!

Q: The Commercial Service in Mexico (CS Mexico) assists many U.S. companies. How can CS Mexico help companies export to Mexico, as well as to "look south" and expand their export markets?

A: CS Mexico supports a very active trade promotion program given the breadth and depth of the bilateral trade relationship. Mexico accounts for roughly a sixth of all U.S. exports, and 22 American states depend on Mexico as their first or second destination for exports. This translates to more than $1.25 billion a day in two-way trade, with more than 54,000 small and medium-sized U.S. enterprises exporting to Mexico.

Aside from demand-driven client services, CS Mexico supports certified trades shows in key sectors throughout Mexico and brings buyer delegations to many U.S. Department of Commerce-certified trade shows in the United States. The organization also host a steady stream of state- and city-led trade missions from a variety of industry and service sectors, generally focused on the three principal markets within Mexico (Mexico City, Guadalajara, and Monterrey). CS Mexico is now looking to expand its programs into growing second-tier hubs within Mexico, such as Queretaro, Puebla and Toluca.

The U.S. Commercial Service can help companies interested in expanding southward by connecting them to our offices throughout the region. A good place to start can be your local U.S. Export Assistance Center (USEAC), which can provide everything from export counseling and international partner searches to market research and help in navigating customs and documentation issues. Find your local USEAC at *http://export.gov/usoffices/index.asp*. We also have a Mexico Business Information Center (BIC) that provides quick answers to many basic questions about exporting to this market *http://export.gov /mexico/mexicobic/index.asp*.

Continued on page 4

Mexico—Con.

Q: What advice would you give companies that are considering expanding from Mexico to additional Latin and South American FTA markets?

A: Make use of the familiarity with Latin American business culture, translate company literature and promotional materials, establish relationships that Mexican business partners may have in other Latin American countries, and stay on top of regional trends or patterns in market demand and consumer tastes. This can help them strategically branch from Mexico to markets further south.

Our offices provide customized guidance on export considerations that you should take into account. Information on financing, logistics, and business culture is included in each market's Country Commercial Guide, which for Mexico is available at *www.export.gov/Mexico*.

Q: From your experience, do these companies who have exported to Mexico and are selling to other parts of Latin America have any common elements that make them successful exporters?

A: Successful U.S. exporters to Mexico and South America take into account the full spectrum of financing options available, given that Latin American lending rates are far higher than those faced by companies in the United States. CS Mexico works very closely with the Export-Import Bank of the United States (Ex-Im), for which Mexico is their number one market.

Exporters can also use third-party logistics facilitators (3PLs) to help simplify the cross-border shipping process (and factor this into their product pricing). Successful exporters are good at following-up quickly with local partners as there is abundant international competition in these markets. They take into account the language differences and use qualified interpreters if needed. They also exhibit patience and take the time to build relationships, since personal relationships are valued in Latin American countries.

Q: Do you see some advantages for Hispanic-American owned firms in terms of understanding the Latin and South American business culture?

A: The obvious benefits of shared language, culture, and heritage would serve a Hispanic-owned U.S. firm well as opportunities in Latin and South America. That said, however, a business owner without any of those connections should not feel disadvantaged given the strength of our trade relations with many of these markets and the attractiveness of U.S.-sourced goods and services, known for superior quality and value.

For an Indiana Company, the Road to Latin America Started in Mexico

An Evansville, Indiana-based manufacturer and distributor of sporting goods produces many brands that are well known in the United States and increasingly throughout the world. Back in 2005, the firm's international sales manager wanted to establish a presence in Latin America but sought first to target sales to Mexico as a springboard to the region.

Working with Dusan Marinkovic, a trade specialist with the U.S. Commercial Service (USCS) in Indiana, the company benefitted from export counseling and the USCS Gold Key Matchmaking Service. Through the Gold Key Service, the manager traveled to Mexico and met with prescreened prospective business partners arranged by USCS trade professionals at the U.S. Embassy. As a result of ongoing USCS assistance, the Indiana manufacturer made its first sale to Mexico shortly thereafter and has continued to increase its exports to Mexico up to the present. After establishing a foothold in Mexico, the Indiana company subsequently sold to other nations of Latin America, including Colombia and the Central American Free Trade Agreement (CAFTA) countries of El Salvador and Dominican Republic.

The international sales manager is upbeat about the region, and sees plenty more opportunities. "We are now reaping the fruits of our hard work in making new sales to world markets, and Latin America has become a key focus of our international business strategy," she says. "There's no doubt that learning the ins-and-outs of selling to Mexico and working with the Commercial Service gave us more confidence in expanding our sales to other parts of Latin America."

This company's overall export prowess and international diversification have enabled it to weather changes in the global economy, and to grow and become more competitive internationally. As a result, the company has been able to sustain and support many new jobs in the United States.

Chile: A Strong, Continually Growing Market for U.S. Businesses

Q&A with Ellen Lenny-Pessagno, Senior Commercial Officer, U.S. Embassy in Santiago, Chile

Q: Why should U.S. firms be looking at the Chile market? Why is it a good opportunity?

A: With over 60 free trade agreements (FTAs) in place, Chile is recognized as a world leader in free trade and provides its 16.5 million citizens unprecedented access to the world's products and services. Chile is much more economically significant than its size would suggest. With 32 percent of the world's copper exports and a thriving set of world-class export industries from agricultural products, to fish, and wood products, Chile is a major buyer of equipment, materials, and technology. The United States is the largest exporter to Chile, with a record $18.9 billion in U.S. exports in 2012. This amount is nearly one-third of the amount that the U.S. exports to Brazil, a country with an economy and population 10 times greater than Chile's.

Chile's formula is simple. The nation remains committed to pursuing market-oriented strategies, expanding global commercial ties, and cultivating a culture of transparency and rule-of-law. Chile has privatized much of its infrastructure and basic services, such as ports, highways, transportation, energy, and water supply. In addition, the private sector is involved significantly in education, retirement/pensions, health care, and prisons. Increasingly, Chilean companies develop into regional companies, so that U.S. exporters will find that business in Chile can lead to sales in Peru, Argentina, Colombia, and beyond.

Q: In what ways has the FTA opened new avenues for U.S. exporters?

A: Almost 10 years after its implementation, the U.S.-Chile FTA continues to be a resounding success. In 2012, bilateral trade between the United States and Chile reached $26 billion, an increase of more than 300 percent in trade levels since the FTA came into force. Duties have been reduced to zero on 99 percent of U.S. exports to Chile with all remaining tariffs to be phased out by 2015. The FTA's non-tariff provisions also further strengthen an already open business climate between the two countries; it includes specific obligations in areas such as intellectual property, services, investment, temporary entry of business persons, and telecommunications.

Q: What are some leading industry growth sectors?

A: With an average economic growth of 5 percent for more than 15 years, practically every industry sector offers opportunities. From my window in the U.S. Embassy in Santiago, I can see the dynamism happening before my eyes. Latin America's tallest building is nearing completion three blocks away. Cranes dot the skyline in all directions. Investments result in new metro lines, roadways, and commercial and residential development. Mining continues to be a major driver of the economy with estimates of $40 billion in new investment projected for the next 10 years. The energy demand associated with this growth triggers strong interest in all forms of power generation, including renewable sources such as solar, wind, and geothermal.

Chile, however, is more than mining, energy, and construction. Two of Latin America's three largest retailers located their headquarters in Santiago, and they make purchasing decisions in Chile for their stores in Brazil, Argentina, Peru, and Colombia. Experts project health care spending to reach 12 percent of gross domestic product in the next several years, up from 7 percent currently. The food processing and packaging sector constantly seeks technology and equipment to improve cost efficiencies and achieve greater automatization, products, and processes that U.S. firms are well positioned to provide.

Q: Do U.S. firms have a competitive edge over those from other countries? What perceptions do potential buyers have about U.S. products and services?

A: U.S. products and services and "name brands" are respected and well known in the country. Many U.S. companies thus consider Chile an excellent platform for doing business in the region.

Continued on page 6

Chile—Con.

U.S. Department of Commerce Assistant Secretary for Manufacturing and Services, Nicole Lamb-Hale, joins Chilean Minister of Energy, Jorge Bunster and US trade show organizers, Kallman Worldwide, in inaugural ceremony of IFT Energy Trade Show.

Q: What are some challenges for U.S. businesses looking to do business?

A: Perhaps the greatest challenges for a U.S. firm seeking to export to Chile are the high degree of competition and the relatively small market size. Chile's open trade and investment policy attracts attention from foreign firms in all sectors, yet the relatively small market size has led some companies to overlook Chile. This creates interesting niche markets and solid opportunities for U.S. exports.

Q: Could you provide a few tips for U.S. businesses? How can they increase their chances for success? For example, what are some good strategies for market entry?

A: A key to competing is finding the right in-country partner. For exporters new to this market, find an in-country agent or representative with good access to relevant buyers and solid technical expertise. We also recommend that exporters send qualified company representatives to Chile to expand their businesses via one of our customized services or by attending one of the many international trade shows that take place here. I invite U.S. companies interested in doing business in Chile to visit us on the U.S. Commercial Service Web site at *www.export.gov/chile* to learn more.

Chile: Key to a North Carolina Firm's Global Export Strategy

When an emergency vehicle manufacturer in Jefferson, NC, was looking to make new export sales, the rural-based firm tapped the U.S. Commercial Service (USCS) in Charlotte. The company was encouraged to participate in the North Carolina ExporTech 2012 trade seminar, a program sponsored by the USCS, the Manufacturing Extension Partnership, and its local partners. Over the course of three months, USCS Charlotte Director Greg Sizemore provided quantitative analysis of the best export markets, facilitated conference calls with USCS staff in target markets, and helped to finalize the manufacturer's export "game plan." As a result, the company made new sales to several countries, including Chile. "We came out of ExporTech with a comfort level we didn't have before in how to ship, how to get paid, all things vital to understand when exporting," said the manufacturer's sales manager. "We view Chile as a critically important market for our long-term global sales strategy, due to its transparent business environment and demand for emergency vehicles. Overall, the business we gained from expanding into exporting allows us to keep the people we have. That's 25 to 30 jobs we're able to save. And if the business continues to grow, we'll open a new production line—that's another 30 jobs created!"

Colombia: Trade Agreement Heralds New Era for U.S. Exports

Q&A with Cameron Werker, Senior Commercial Officer, U.S. Embassy in Bogotá, Colombia

Q: Why should U.S. firms be looking at the Colombia market? Why is it a good opportunity?

A: The Republic of Colombia is the fourth-largest economy in Latin America with the third-largest population of approximately 46 million inhabitants. It is the only country in South America with two sea coasts (Pacific and Caribbean) providing tactical shipping advantages in today's global market. With security improvements, steady economic growth, and moderate inflation, Colombia has become a free market economy with strong commercial and investment ties to the United States, Europe, Asia, and Latin America. Colombia is now the third-largest market for U.S. exports in Latin America.

The past 10 years have brought extraordinary change to the country in terms of economic development and improvements in the national safety and security situation. The United States is Colombia's largest trading partner. U.S. exports to Colombia in 2012 topped $16.4 billion, an increase of 14 percent from 2011. Key economic indicators demonstrating the positive long-term effect of Colombia's political and economic policies include gross domestic product growth of 4 percent in 2012 and foreign direct investment of over $15.3 billion in 2012. The U.S.-Colombia Trade Promotion Agreement, implemented on May 15, 2012, has bolstered U.S. opportunities significantly.

Q: In what ways has the Trade Promotion Agreement (TPA) opened new avenues for U.S. exporters?

A: May 15, 2012 was a landmark day in our countries' bilateral relationship. The TPA, similar in form to free trade agreements (FTAs) between other countries, immediately eliminated import duties on approximately 80 percent of all U.S.-manufactured goods entering Colombia and the country will phase out the remaining 20 percent based on Harmonized Tariff Schedule numbers. The TPA also signaled to the people of Colombia the importance that the United States places on our relationship. For a country that already appreciates the value proposition of U.S. goods and services, the TPA now allows U.S companies to be even more competitive with multinational rivals.

Q: What are some leading industry growth sectors?

A: The years ahead will bring greater investment in infrastructure projects ranging from roads, airport modernizations, port construction, and railway projects. New foreign direct investment will create opportunities related to major hotel and infrastructure (highway, mass transportation, ports, and airport) projects.

Three sectors top the list as "best prospects" for U.S. exporters: (1) military procurement; (2) transportation infrastructure; and (3) extractive industries (e.g., oil and gas, and mining industry-related goods and services). The Colombian government now allocates more of its national budget than ever to improve all modes of transportation in Colombia, from roads to rail to ports to airports. In order to take advantage of the large pending infrastructure projects, for which U.S. companies will find a multitude of subcontracting opportunities, Dr. Rebecca Blank, former Acting U.S. Secretary of Commerce, led a 20-company trade mission to Bogota on the first-year anniversary of the TPA.

In addition to the above sectors, the following eight areas promise not only significant opportunities for growth, but also are areas in which U.S. companies have competitive advantages due to superior quality and the benefits of the recently implemented agreement:

- Automotive Parts and Accessories
- Construction
- Electrical Power Systems
- Information Communication Technology
- Medical Equipment
- Package Food and Beverage
- Processing Packaging Equipment
- Travel and Tourism

Continued on page 8

Colombia—Con.

Q: Do U.S. firms have a competitive edge over those from other countries? What perceptions do potential buyers have about U.S. products and services?

A: Many U.S. firms are well positioned to be competitive in the Colombian market. Due to Colombia's close ties to the United States and citizens' recognition of the quality and reliability of U.S. products, Colombian consumers often favor U.S. products and services over those of our foreign competitors. However, U.S. businesses should be aware of strong competition from other countries in the region, as Colombia has several FTAs with other countries. The U.S.-Colombia TPA not only eliminates and reduces tariffs, but it also affords U.S. companies "National Treatment" in Colombia, meaning U.S. companies must be treated the same as if they were Colombian companies. This status speeds access to the market and lowers entry requirements. For example, as of May 15, 2012, if a Colombian company did not need a license to sell their products, then neither does the U.S. supplier of those products.

Q: What are some challenges for U.S. businesses looking to do business?

A: The biggest challenge many U.S. exporters face is overcoming outdated perceptions of Colombia. Today, Colombia is a vastly different country than it was just 10 years ago due to the improvement in the national safety and security situation. U.S. exporters are just starting to realize the immense prospects that Colombia can offer as the third-largest market and fourth-largest economy in all of Latin America. Another challenge is the high cost of inland transportation, so U.S. exporters shipping via ocean freight need to be aware of these high costs. Regardless of their shipping terms, either they or their partners in Colombia will have to assume the cost and pass them on to their ultimate customer. Therefore, you must factor the cost of inland transportation into your pricing. A third area of concern is that the judicial system in Colombia can be sluggish and continues to suffer from significant transparency issues.

Q: Could you provide a few tips for U.S. businesses—how can they increase their chances for success? For example, what are some good strategies for market entry?

A: We can recommend several good strategies!

- Secure a Colombian agent, representative, or distributor—this requires a contract that meets the provisions of the Colombian Commercial Code.

- Offer excellent after-sales service arrangements and maintain the sales relationship—warranties or guarantees on imports are critical for supporting after-sales service in Colombia.

- Do not presume that your potential Colombian partners or clients speak English. Latin America in general is low on the English proficiency scale and Colombia is near the bottom of the Latin American scale.

- Be prepared to translate your materials to Spanish. This will provide a great return on your investment given that all major markets in Latin America speak Spanish, except Brazil (Portuguese).

- Many more strategies are available via our Country Commercial Guide at *www.export.gov/Colombia*.

Panama: Unprecedented Access to Central and South America

Q&A with Daniel Crocker, Senior Commercial Officer, U.S. Embassy in Panama City, Panama

Q: Why should U.S. firms be looking at the Panama market? Why is it a good opportunity?

A: Panama's proximity to the United States and the ease of doing business make it a great market for U.S. companies that have already exported to one or two other countries, e.g. Mexico or Canada. Panama boasts the highest per capita gross domestic product in the region, and is a regional player for some U.S. exporters. In addition, the expansion of the Panama Canal is creating major new opportunities for U.S. exporters. Panama has benefited enormously from its role as an efficient distribution center, and as a result, perhaps nowhere else in Latin America are consumer retail prices as competitive.

Panama boasts unprecedented access to all of Latin America and the Caribbean via the Colon Free Zone (CFZ), already the world's second-largest free port behind Hong Kong. The CFZ is located near the Atlantic mouth of the Panama Canal and three trans-shipment port operators. Businesses using the CFZ for re-exporting have critical mass for the entire region to attract even more investment and consolidation of distribution.

Q: In what ways has the U.S.-Panama Trade Promotion Agreement (TPA) opened new avenues for U.S. exporters?

A: The TPA entered into force October 31, 2012. U.S. agriculture and processed foods are prominent in Panama; it is in this sector that we might see more dramatic export growth as tariffs continue to go down in accordance with the TPA. Since Panama's average industrial tariff is about 7 percent and imports for some of the highest priority projects already qualify for exemption (e.g. canal expansion, mining, and tourism), U.S. companies will not likely see a dramatic shift in opportunities in most sectors, although they will certainly enjoy better margins and thus may be able to reduce prices to make the sale. Panamanian companies are now more inclined to seek out suppliers from the United States. Factors such as shipping costs, economic growth, foreign exchange rates, and cost of labor as a percentage of cost of goods sold all play more significant roles than before the TPA.

Q: What are some leading industry growth sectors?

A: Aviation continues to grow rapidly here, both commercial and air freight. A significant mining project that requires about $7 billion in investment would create (upon completion) one of the world's largest copper mines. The government of Panama has announced an additional $13 billion worth of multiyear projects, distributed among the following sectors:

- Agriculture
- Automotive
- Building Products
- Computers and Peripherals
- Construction Equipment
- Electrical Power Systems
- Financial Services
- Franchising
- Port and Shipbuilding Equipment
- Security and Safety Equipment
- Telecommunications Equipment

Q: Do U.S. firms have a competitive edge over those from other countries? What perceptions do potential buyers have about U.S. products and services?

A: Panama has a strong cultural affinity for U.S. products and services. In recent years, Panama has become a regional competitor to Miami for consumer retail, indicating a larger market than the country's domestic population alone would support. This consumer class enjoys a very high level of disposable income, prefers high quality, trendsetting goods, and considers price as a secondary determinant in the purchasing decision.

Continued on page 10

Panama—Con.

Q: What are some challenges for U.S. businesses looking to do business?

A: Foreign competition can be strong, as Panama has full Free Trade Agreements (FTAs) in force with numerous countries in the region. International indices generally rate Panama as one of the top countries in Latin America for business and investment. On the other hand, some U.S. investors have voiced concerns about the lack of transparency and inconsistent treatment.

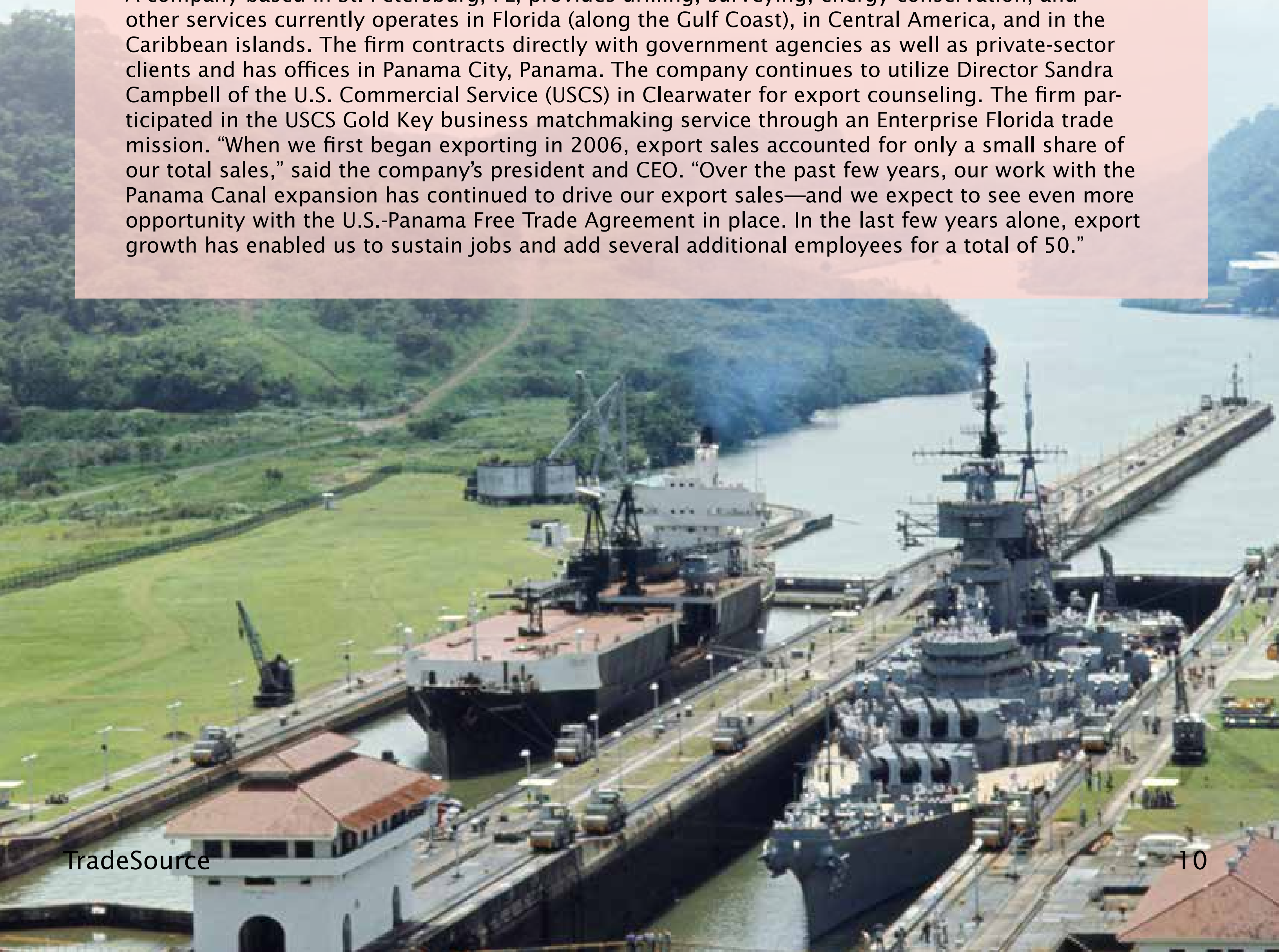
Q: Could you provide a few tips for U.S. businesses? How can they increase their chances for success? For example, what are some good strategies for market entry?

A: Due to its open economy, Panama has few market access problems. One of the more common market entry options is to appoint an in-country agent or distributor. Another option is to find a local partner who can provide market knowledge and contacts. Other businesses have found success by using product licenses and franchising agreements.

The U.S. Commercial Service (USCS) offers U.S. companies market entry assistance through a variety of services, any of which the USCS can tailor to suit your needs. We also will work to defend your business interests in Panama if the need arises. We measure ourselves on our ability to help you do more business in Panama. For more information, visit *www.export.gov/Panama*.

A Company in Florida Looks to Panama for Export Growth

A company based in St. Petersburg, FL, provides drilling, surveying, energy conservation, and other services currently operates in Florida (along the Gulf Coast), in Central America, and in the Caribbean islands. The firm contracts directly with government agencies as well as private-sector clients and has offices in Panama City, Panama. The company continues to utilize Director Sandra Campbell of the U.S. Commercial Service (USCS) in Clearwater for export counseling. The firm participated in the USCS Gold Key business matchmaking service through an Enterprise Florida trade mission. “When we first began exporting in 2006, export sales accounted for only a small share of our total sales,” said the company’s president and CEO. “Over the past few years, our work with the Panama Canal expansion has continued to drive our export sales—and we expect to see even more opportunity with the U.S.-Panama Free Trade Agreement in place. In the last few years alone, export growth has enabled us to sustain jobs and add several additional employees for a total of 50.”



Peru: New Procurement Opportunities for U.S. Companies

Q&A with Sheryl Pinckney-Maas, Senior Commercial Officer, U.S. Embassy in Lima, Peru

Q: Why should U.S. firms be looking at Peru? Why is it a good opportunity?

A: Peru has historically achieved some of the highest growth rates in Latin America, averaging above 5 percent per year during the past 9 years. In addition, it is a growing dynamic country with a signed free trade agreement (FTA) with the United States. Peru ranks 43 out of 185 countries in the 2013 World Bank's Ease of Doing Business report. A major element of Peru's business opportunities involves infrastructure development. In late 2010, the Peruvian government's ProInversion, an agency that promotes private investment, began targeting numerous major projects as national priorities while establishing guidelines for the tendering process. These included roadways and waterways, ports, natural gas, infrastructure, and energy generation and distribution projects.

The top priority projects for 2013–2014 are as follows:

- $5 billion Lima and Callao Electric Mass Transportation System.
- $400 million Main Works and Conduction of Drinkable Water Supply for Lima.
- $315 million National Optical Fiber Backbone Network.
- $205 million Mass Use of Natural Gas Nationwide project.
- $101 million General San Martin Port Terminal in Pisco.
- $360 million Chinchero-Cusco International Airport project.
- $110 million project to finance and design the construction, maintenance, and operations of a 500Kv transmission line in Trujillo-Chiclayo.

In addition, the ongoing development of the oil and gas sector and the booming construction industry are fueling expanded markets for U.S. goods and services.

The Peruvian government provides additional procurement opportunities for U.S. companies through the government contracting supervisory agency, El Organismo Supervisor de las Contrataciones del Estado (OSCE), which is the agency responsible for operating the electronic system for government procurement (Sistema Electrónico de Contrataciones del Estado–SEACE). SEACE's reverse auction site lists all opportunities for public institutions. The site publishes daily all public purchases and interested bidding firms can participate online.

You can find these opportunities on the SEACE Web site at *www2.seace.gob.pe/*.

Q: In what ways has the FTA opened new avenues for U.S. exporters?

A: Before the FTA came into force on February 1, 2009, some 98 percent of Peru's exports to the United States entered the U.S. duty-free. Because of high Peruvian tariffs, however, U.S. exporters did not have equivalent access to Peru's market—a country three times the size of California with 29 million consumers and an economy that grew by 5.8 percent in 2012 alone and has the potential to double in size by 2020. The U.S.-Peru FTA leveled the playing field by moving the trading relationship to reciprocal commitments—fully 80 percent of U.S. consumer and industrial exports are now duty free, with remaining tariffs phased out over the next 10 years. The FTA also removed barriers to U.S. services, strengthened Intellectual Property Rights (IPR) protection, and provided a more secure and predictable legal framework for investors. The FTA allows U.S. companies to compete more effectively with countries such as China, Brazil, and Colombia, which already have trade deals with Peru. In addition, the FTA represents a trust and balance of economic goodwill between our two countries that freely allows its businesses to take part in the bilateral benefits of international trade.

Continued on page 12

Peru—Con.

Q: What are some leading industry growth sectors?

A: Some of the best prospects for U.S. exports of nonagricultural products include mining industry and construction equipment, oil and gas field machinery, industrial chemicals, food processing and packaging equipment, security and safety equipment, and air conditioning and refrigeration equipment.

Q: Do U.S. firms have a competitive edge over those from other countries? What perceptions do potential buyers have about U.S. products and services?

A: Yes. Peru has a strong affinity for U.S. products and services. U.S. products are widely accepted and understood to be of high quality. Marketing strategies should emphasize the quality of the product or service and valuable post-sale service provisions. U.S. companies should form both formal and personal connections with potential partners in Peru to foster trust in the agreement. The easiest way for U.S. companies to access the Peruvian market is with a local representative.

Q: What are some challenges for U.S. businesses looking to do business?

A: A value added tax of 19 percent results in relatively high prices for many goods, generally higher in comparison to those prevailing in the United States, foremost manufactured and consumer goods. U.S. businesses often find Peru's customs clearance procedures to be sluggish and inconsistent. Another of Peru's long-term challenges is getting their central and regional governments to implement effectively the needed infrastructure improvements. The lack of technical expertise and experience in municipalities outside of the capital city impedes the necessary changes even when those municipalities have the funds to pay for the projects. As in many third-world countries, corruption continues to be a challenge to U.S. companies doing business in Peru, especially when applying for government contracts. Business-to-business interactions tend to be more successful with fewer mishaps, and you can minimize legal pitfalls by having an honest and knowledgeable local partner.

Q: Could you provide a few tips for U.S. businesses? How can they increase their chances for success? For example, what are some good strategies for market entry?

A: Some key strategies include appointing local representatives to investigate market opportunities and to establish sales networks. Also, the retention of local legal counsel is often required to successfully navigate Peru's business practices and bureaucracy. For more information, visit our Web site at *http://export.gov/peru* or locate your nearest U.S. Commercial Service (USCS) office in the United States at *http://export.gov/usoffices/index.asp*.

Trade Americas Program: Springboard From Mexico to the Rest of Latin America

By Diego Gattesco, Trade Americas Team Leader, U.S. Commercial Service

As the world grows increasingly smaller through trade, companies exporting only to Mexico, or companies not yet exporting today, can see Mexico as an "easy" market to start or to increase exports.

Reasons why companies start or expand their international trade strategies with Mexico include:

- Proximity and access to U.S. goods.
- Good transportation options and lower freight costs.
- Market size (115 million potential customers).
- Strong legal protections.
- Political and macroeconomic stability.
- The good relationship that both countries enjoy, fostered by the North American Free Trade Agreement (NAFTA).

This is a great start, and once you are familiar with the Latin business culture and the particular ways of doing business in Mexico, then expanding your exports or "looking south" becomes much easier. Your company will be able to build on your experiences in Mexico to navigate the different markets in Central and South America with greater chances of success.

The Trade Americas Program provides you resources of the USCS offices and State Department sections at U.S. embassies. Through the program, your company can benefit from a single point of access to regional trade events, extensive services, and research covering markets throughout the region. The Trade Americas Web site provides you information on free trade agreements throughout the region, market research, trade event lists, industry-specific information, business service providers, useful links, and key contacts.

The Trade Americas Team is working to support the efforts of the USCS in Latin America, organizing events such as the upcoming Trade Missions to Central America in July 2013 and to Colombia in September 2013. Companies can visit the Trade Americas Team site for more information in the Western Hemisphere region at *http://export.gov/tradeamericas/index.asp*.

Mexico and Latin America: Booming Markets for U.S. Agricultural Products

By Dale Miller, Trade Services Staff Director, Foreign Agricultural Service (FAS)

The FAS, part of the U.S. Department of Agriculture, offers several international market development programs to help develop, maintain, and expand markets for U.S. agricultural products. Through the Market Access Program (MAP), FAS collaborates with U.S. producers, exporters, small businesses, State Regional Trade Groups, and nonprofit trade organizations to finance overseas marketing and promotional activities. Participants use the program to help attend trade shows, fund market research and consumer promotions, and provide technical assistance and educational seminars.

Successes in Mexico

Many small- and medium-sized U.S. exporters use MAP funds to succeed in Mexico—the third-largest market for U.S. food and agricultural products, importing more than $19 billion last year from American suppliers. In addition to assistance for individual firms, FAS supports more than 30 U.S. industry organizations currently active in Mexico.

One company located in Idaho Falls, ID, found great success in the Mexican market. The company successfully marketed yellow onions in Mexico, despite a cultural preference for nonyellow onions in traditional Mexican cuisine. The company achieved success by inviting Mexican buyers to the American Northwest through reverse trade missions that helped eliminate cultural barriers and allowed buyers to learn about the products in person. The hands-on education that Mexican buyers received in the United States gave them a greater understanding and confidence in the products and the exporter's ability to deliver new products to Mexican consumers.

Another example comes from Hanford, CA. The company traveled to Guadalajara, Mexico in 2012 to promote its high quality pistachios at the Expo Asociación Nacional de Tiendas de Autoservicio y Departamentales (ANTAD) Trade Show. They were able to participate through the efforts of the Western U.S. Agricultural Trade Association (WUSATA) and MAP. The small company sold $600,000 worth of its pistachios on the trade show floor— registering a significant export success and establishing connections for ongoing trade with Mexico.

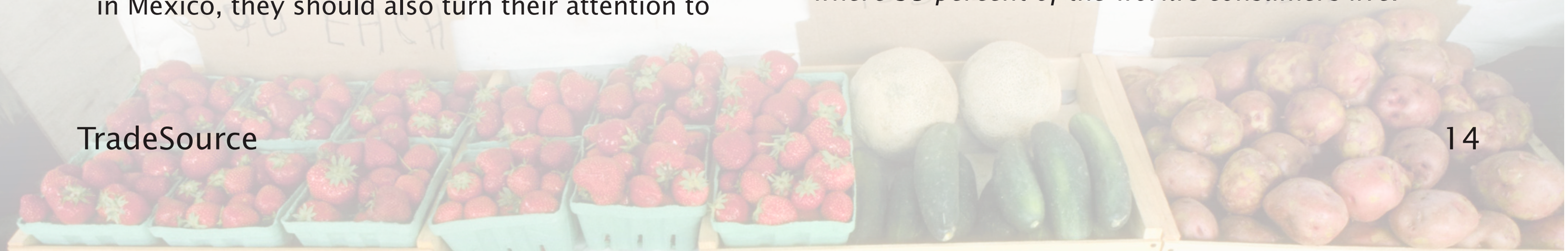
Benefits of Free Trade Agreements

While many U.S. agricultural companies find success in Mexico, they should also turn their attention to other Latin American markets with free trade agreements (FTAs). One such FTA, the U.S.-Panama Trade Promotion Agreement, expands market access for exporters in one of the fastest growing economies in Latin America. Panama imports 65 percent of its food products from the United States, including corn, soybean meal, wheat, poultry, and rice. The FTA ensures U.S. exporters will receive duty-free treatment on products accounting for more than half of the current agricultural trade, with tariffs on remaining agricultural products phased out within 15 years.

Another FTA, the U.S.-Colombia Trade Promotion Agreement which entered into force over a year ago, provides improved market access to that country's rapidly growing market and levels the playing field with respect to third-country competitors in the Colombian market. The agreement eliminates tariffs for more than half of agricultural products and for all remaining tariffs within 15 years. Wheat, barley, soybeans, soybean meal and flour, high-quality beef, bacon, almost all fruit and vegetable products, peanuts, whey, cotton, and the vast majority of processed products are examples of agricultural products that benefit from the agreement. Economists estimate that the agreement will expand total U.S. exports by more than $1.1 billion.

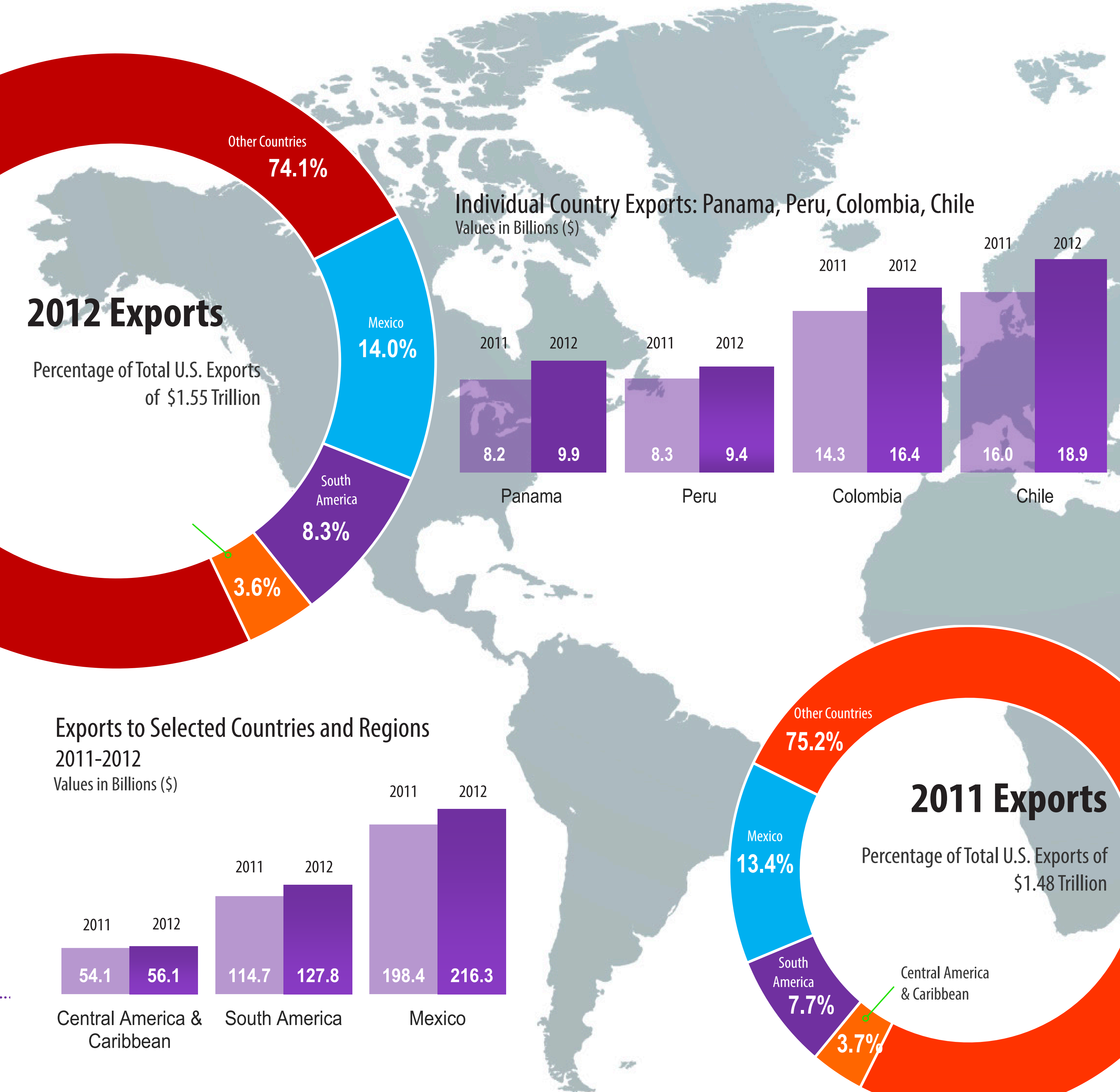
The success stories in Mexico and trade agreements in other Latin American markets demonstrate how much potential lies in this region of the world for U.S. agricultural exporters. Through market development programs such as MAP and the Foreign Market Development Program (through which FAS cooperates with nonprofit commodity or trade associations), FAS will continue to collaborate with the industry to advance export opportunities while helping U.S. companies build global businesses. Increasing exports in Latin America will help strengthen the U.S. economy in the decades ahead and benefit farmers and ranchers, small business owners, and help create jobs for people in rural communities. For more information, visit *www.fas.usda.gov*.

The Foreign Agricultural Service is USDA's lead agency for addressing the challenges and opportunities of the rapidly changing global marketplace. With a global network of nearly 100 offices covering more than 160 countries, the agency works to open, expand, and maintain access to foreign markets where 95 percent of the world's consumers live.



LOOK SOUTH

U.S. INTERNATIONAL TRADE IN GOODS



All these data and more can be found on **USA Trade Online**.
Go to **http://usatrade.census.gov/promo**, enter promo code **F1787** for a 30-day free trial. Must be activated by August 10, 2013.

Financing Opportunities in 43 Latin American Countries

By Stevan M. Horning, Public Affairs Specialist, Export-Import Bank of the United States

Most U.S. exporters—nearly 60 percent of them—do business with just one foreign market. For many, that one market is Mexico, and its customers number at the most 115 million people. A better strategy for you is to look further south. Consider exporting to a Latin American market ten times that size. With advice and financing from the Export-Import Bank of the United States (Ex-Im Bank), your company can secure working capital and also ensure that new customers will keep on paying you.

Ex-Im Bank Looks South To Its $19 Billion Portfolio

The Latin American and Caribbean region is the Ex-Im Bank's second-largest market worldwide: the region represents a portfolio of close to $19 billion, which is more than 20 percent of Ex-Im Bank's outstanding financing. Ex-Im Bank business already has created its presence in 43 different countries in addition to Mexico because significant export potential exists there, particularly in Chile, Colombia, Panama, and Peru. Ex-Im Bank helps small-business exporters; last year, small business accounted for 88 percent of all our transactions.

Here's one example:

A small business in Indiana wanted to sell an entire production line to a company in Peru, but commercial banks balked at providing the financing and demanded assurance that a far-off foreign company would repay them. Ex-Im Bank made the purchase much more attractive by providing a competitive interest rate with a loan guarantee and 5-year repayment terms. The Peruvian company then agreed to a $1.6 million transaction with the small company. The Indiana company thus earned the sale by having a good product (a production line of equipment to coat and print metal for products such as paint cans and industrial containers) and excellent financial terms to support the transaction. The Peruvian firm gained an expanded capacity to manufacture, and is more likely to consider Indiana workers for future business.

Small Businesses Share in Big Transactions

Your business may seem small, but it can play a vital role in huge projects and garner sizeable profits! For example, more than 150 U.S. firms—both large and small—"looked south" to Colombia to participate in a single $5 billion petroleum refinery and upgrade project in Cartagena. These businesses together will create or sustain more than 15,000 U.S. jobs over a 4-year period. This is happening because Ex-Im Bank approved a $2.84 billion direct loan and loan guarantee to Colombia's Refinería de Cartagena S.A. (Reficar), a majority owned and controlled independent subsidiary of Ecopetrol S.A. Now. That large project bears a conspicuous label attached to much of its equipment and many services: "Made in the USA."

The Ex-Im Bank's Latin America financing has supported a variety of infrastructure projects including airports, mining, oil and gas, renewable energy, and agriculture. It supports finance for purchases of U.S. manufacturing, commercial aircraft, medical, and environmental services. The Ex-Im Bank invites you and your Latin America buyers to apply with us for financing, particularly in cases when traditional financing sources are reluctant or unable to extend credit.

"Will I Get Paid For Sure?"

Yes! You need not worry, no matter where you export: with Ex-Im Bank products and services, you and your commercial lender can be sure of being paid. We take the worry out of exporting, because we guarantee the entire amount that you finance through us. The Ex-Im Bank specializes in Export Credit Insurance. Insurance prices reflect many factors including market risk, so we will work with you to tailor the terms to fit your particular situation. The closest thing to a "one-size-fits-all" product for many small businesses is a short-term "named buyer" policy called Express Insurance. The Ex-Im Bank calculates your policy based on your accounts receivable. This allows you to extend terms to your foreign buyer and gives your commercial lender the assigned proceeds in case of a payment problem, so neither you nor your lender has cause to worry. We process applications to this popular program quickly enough to merit the "Express" label.

When your lender needs to share its risk, Ex-Im Bank may provide it a government-backed loan guarantee under favorable terms. Through our services, you and your customers can set up revolving credit lines for short-term purchases or even direct loans.

Special Priority for Renewable Energy

The Ex-Im Bank provides competitive terms for exports of U.S. technology that—to look at the big picture—spells benefits both as U.S. jobs and as environmental assets. We supported projects for wind power in the Caribbean and solar power in Chile and Uruguay among many others in Latin America. The Ex-Im Bank also partnered with successful U.S. enterprises in exporting services and equipment for waste recycling. Follow up by going to *http://exim.gov/*. To comment on this article, call Steve Horning at 202-565-3206 or write Stevan.Horning@exim.gov.

Small Business Development Centers Opening Doors for Latin American Exports

By Stephen Sullivan, Export Development Specialist, U.S. Small Business Administration

Do you want a one-to-one relationship with a professional business and export counselor? Then contact a Small Business Development Center (SBDC). The U.S. Small Business Administration's primary resource partner for service delivery to U.S. small businesses is the SBDCs. SBDC assistance is available virtually anywhere in the United States with 63 host networks, including more than 900 service locations throughout the United States and U.S. territories. These offices support business growth, sustainability, and enhance the creation of new businesses entities. SBDCs foster local and regional economic development through job creation and retention. As a client, you are entitled to receive no cost, one-on-one, long-term professional business advising, low-cost training, and other specialized services. From development of business plans and manufacturing assistance to financial packaging and lending assistance to market research and more, SBDCs help meet the needs of the business community in which you are located.

Small Business Network of the Americas

A number of Latin American countries are developing their own SBDC-like networks, with the support of the U.S. State Department. The University of Texas at San Antonio's (UTSA) International Trade Center, which is an SBDC itself, is assisting the State Department in these efforts. These SBDC-like networks will become part of the Small Business Network of the Americas (SBNA).

At the heart of the SBNA is the development and linkage of SBDC-like networks throughout the Americas. Connectivity among these Latin American SBDCs and their U.S. counterparts will help spur international business opportunities for small and medium-sized enterprises on both sides of the border. The goal of adopting the SBDC model throughout Latin America is to create a Western Hemisphere network to improve competitiveness, generate new trade opportunities, and promote the economic integration of the region.

The expansion of the SBDC model throughout Latin America started in Mexico in 2003 with a U.S. Agency for International Development (USAID) Mexico project to launch one pilot SBDC. Since then, over 100 Mexican SBDCs have formed, national standards have

Continued on page 18

U.S. MANUFACTURER EXPANDS TO LATIN AMERICA

A Floridian manufacturer of automotive parts located in Tampa, FL, has a thriving business. With business flourishing, the company decided to look south of the border for growth opportunities. The owner, who is originally from Ecuador, first targeted the Mexican market. Last year, the company held a technical seminar in Mexico, which generated demand for their products. Now, the company has an official distributor in Mexico and is growing its sales in that market.

This company is working with the Florida Small Business Development Center at the University of South Florida to identify subsequent markets in Latin America and prepare the company for expansion. They will receive an in-depth export marketing plan funded in part by Enterprise Florida, Inc. through the Small Business Administration's State Trade and Export Promotion (STEP) grant. In addition, and as part of the same grant, the company will receive a scholarship to pay for a Gold Key Service from the local U.S. Commercial Service office.

The Tampa SBDC is also well positioned to help them tap into Small Business Administration (SBA) export finance solutions and Ex-Im Bank export insurance once deals are struck and export working capital becomes an issue. SBA provides a number of loan programs specifically designed to help develop or expand trade and export activities. Visit *http://export.gov/finance/index.asp* to learn more.

By working with federal, state, and local government agencies and benefiting from the grant, the business owner will receive a jump-start to his expansion into South America where a potential of approximately 77 million registered vehicles awaits him. Paired with this U.S. manufacturer's vision, determination, and the company's competitive advantages, we have a recipe for success!

Small Business Development Centers Opening Doors for Latin American Exports—Con.

been deployed, and a national association of SBDCs has been created; the Mexican Associación Mexicana de Centros para al Desarrollo de la Pequeña Empressa A.C. (AMCDPE). El Salvador has been the most proactive in supporting implementation. To date, ten centers have been created, including international trade and government contracting specialty centers.

The U.S. State Department, through its “Pathways for Prosperity” initiative, has been proactively supporting replication of the SBDC model in Central America, with the objective of creating five national SBDC networks by the end of 2013 in Panama, Costa Rica, the Dominican Republic, Honduras, and Guatemala. The Organization of American States (OAS) has focused on transferring the SBDC model to five Caribbean countries—Jamaica, Belize, Barbados, Saint Lucia, and Dominican Republic.

Online Assistance

The opportunity for facilitating business connections is easier now than ever before. SBDCGlobal.com, developed by the UTSA SBDC and the Mexican Association of SBDCs, is a powerful and free online trade platform designed to provide SBDC clients in the United States and in partner countries access to online buying and selling opportunities, as well as extended one-on-one consulting services.

In September 2012, the UTSA, the Brazilian Micro and Small Business Support Service (SEBRAE), and the U.S. Association of Small Business Development Centers (ASBDC) signed a landmark agreement to begin joint collaboration that will increase the Web site’s user base. Through this collaboration, SBDCGlobal.com users will be able to engage in commerce with Brazilian small businesses working with the 850+ centers of the SEBRAE network.

As the SBDC model expands throughout the Americas and beyond, SBDCGlobal.com will continue to expand its reach and provide even greater opportunities for its users.

To learn how an SBDC can help prepare you for export success and help you identify appropriate resource partners and opportunities, please contact your nearest SBDC lead center for assistance *https://ew.export.gov/centers/ap?mode=sbdc_only*.

Helpful Web Sites by Agency

U.S. Department of Commerce

- U.S. Census Bureau
    - Foreign Trade Division *www.census.gov/trade*
    - AESDirect *www.aesdirect.gov*
    - Schedule B Search Engine *https://uscensus.prod.3ceonline.com/*
    - USA Trade Online *http://usatrade.census.gov/*
- International Trade Administration (ITA)
    - U.S. Government Export Assistance Portal *www.export.gov*
    - Basic Guide to Exporting *www.export.gov/basicguide*
    - U.S. Export Assistance Centers *www.export.gov/usoffices/index.asp*
    - Trade Compliance Center *http://tcc.export.gov*
    - ITA Homepage *www.trade.gov*
- Bureau of Industry and Security (BIS)
    - BIS Homepage *www.bis.doc.gov*

Export-Import Bank of the United States

- Products and Services *http://exim.gov/products/*

U.S. Small Business Administration (SBA)

- Small Business Development Centers *www.sba.gov/sbdc*

U.S. Department of Agriculture/Foreign Agricultural Service

- Foreign Agricultural Service *www.fas.usda.gov/trade.asp*

U.S. Trade Representative's Office

- USTR Homepage *www.ustr.gov/eNews*

U.S. Department of State

- Directorate of Defense Trade Controls *www.pmddtc.state.gov*

U.S. Department of the Treasury

- Economic and Trade Sanctions *www.treas.gov/ofac*