



**FLORIDA INTERNATIONAL UNIVERSITY**  
**COLLEGE OF BUSINESS ADMINISTRATION**

**Country Assessments for the Latin American  
Geographic Region**

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For the benefit of

The Jay Malina International Trade Consortium

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## **2007 Key Trade Statistics:**

<b>Country</b>	<b>GDP</b>	<b>Total Exports</b>	<b>Total Imports</b>	<b>Rank w/ U.S.</b>	<b>Trade w/ U.S.</b>	<b>Rank w/ Miami</b>	<b>Trade w/ Miami</b>	<b>Outbound FDI</b>
Brazil	\$1.8T	\$160B	\$120B	11th	\$50B	1st	\$10B	\$107B (Cum)
Colombia	\$319.5B	\$30B	\$31B	30th	\$18B	3rd	\$4.8B	\$10B (Cum)
El Salvador	\$41.6B	\$3B	\$8B	58th	\$4.3B	14th	\$1.6B	-\$50M (2006)
Guatemala	\$62.5B	\$6B	\$12B	52nd	\$7.1B	9th	\$2.1B	\$13M (2006)
Honduras	\$30.6B	\$5B	\$8B	50th	\$8.3B	6th	\$3.8B	\$22M (2006)

## **International Organization Key:**

**ADB:** Asian Development Bank

**AfDB:** African Development Bank

**APEC:** Asia-Pacific Economic Cooperation

**APT:** Asia Pacific Telecommunity

**ARF:** ASEAN Regional Forum

**ASEAN:** Association of Southeast Asian Nations

**Australia Group:** Prevention of chemical and biological weapon proliferation

**BCIE:** Central American Bank for Economic Integration

**BIMSTEC:** Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation

**BIS:** Bank for International Settlements

**CACM:** Central American Common Market

**CAN:** Andean Community of Nations

**CARICOM:** Caribbean Community and Common Market

**CDB:** Caribbean Development Bank

**CE:** Council of Europe

**CERN:** European Organization for Nuclear Research

**CP:** Colombo Plan

**CPLP:** Community of Portuguese Language Countries

**CSN:** Comunidad de Naciones Sudamericanas

**EAS:** East Asian Seas

**EBRD:** European Bank for Reconstruction and Development

**FAO:** Food and Agriculture Organization

**G-3:** Colombia, Mexico and Venezuela

**G-5:** France, Germany, Japan, the United Kingdom, and the United States

**G-7:** Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States

**G-8:** France, the United States, the United Kingdom, Russia, Germany, Japan, Italy and Canada

**G-10:** Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States

**G-15:** Jamaica, Mexico, Argentina, Brazil, Chile, Peru, Venezuela, Algeria, Egypt, Kenya, Nigeria, Senegal, Zimbabwe, India, Indonesia, Iran, Malaysia and Sri Lanka.

**G-24:** Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development

**G-77:** Group of 77 at the United Nations

**IADB:** Inter-American Development Bank

**IAEA:** International Atomic Energy Agency

**IBRD:** International Bank for Reconstruction and Development (World Bank)

**ICAO:** International Civil Aviation Organization

**ICC:** International Chamber of Commerce

**ICCT:** International Council on Clean Transportation

**ICRM:** International Committee for Radionuclide Metrology

**IDA:** International Development Association

**IEA:** International Energy Agency

**IFAD:** International Fund for Agricultural Development

**IFC:** International Finance Corporation

**IFRC:** International Federation of Red Cross and Red Crescent Societies

**IHO:** International Hydrographic Organization

**ILO:** International Labour Organization

**IMF:** International Monetary Fund

**IMO:** International Maritime Organisation

**IMSO:** International Mobile Satellite Organization

**Interpol:** International Criminal Police Organization

**IOC:** International Olympic Committee

**IOM:** International Organisation for Migration

**IPU:** Inter-Parliamentary Union

**ISO:** International Organization for Standardization

**ITSO:** International Telecommunications Satellite Organization

**ITU:** International Telecommunication Union

**ITUC:** International Trade Union Confederation

**LAES:** Latin American Economic System

**LAIA:** Latin American Immigration Association

**MERCOSUR:** Mercado Común del Cono Sur (Southern Common Market)

**MIGA:** Multilateral Investment Guarantee Agency

**MINURSO:** United Nations Mission for the Referendum in Western Sahara

**MINUSTAH:** United Nations Mission for the Stabilization of Haiti

**MONUC:** United Nations Mission in the Democratic Republic of Congo

**NAM:** Nonaligned Movement

**NEA:** Nuclear Energy Agency

**NSG:** Nuclear Supplier Group

**OAS:** Organization of American States

**OECD:** Organisation for Economic Co-operation and Development

**OIC:** Organisation of the Islamic Conference

**OIF:** International Organization of Francophone's

**OPANAL:** Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean

**OPCW:** Organization for the Prohibition of Chemical Weapons

**OSCE:** The Organization for Security and Co-operation in Europe

**Paris Club:** 19 nations that strive to identify sustainable solutions for the payment difficulties experienced by debtor nations

**PBEC:** Pacific Basin Economic Council

**PCA:** Permanent Court of Arbitration

**PECC:** Pacific Economic Cooperation Council

**PIF:** Pacific Islands Forum

**RG:** Rio Group

**SAARC:** South Asian Association for Regional Cooperation

**SECI:** Southeast European Cooperative Initiative

**UN:** United Nations

**UN Security Council:** United Nations Security Council

**UNAMID:** United Nations-African Union Mission to Darfur

**UNCTAD:** United Nations Conference on Trade and Development

**UNDOF:** United Nations Disengagement Observance Force

**UNESCO:** United Nations Educational, Scientific and Cultural Organization

**UNFICYP:** United Nations Peacekeeping Force in Cyprus

**UNHCR:** United Nations Higher Commissioner for Refugees

**UNIDO:** United Nations Industrial Development Organization

**UNIFIL:** United Nations Interim Force in Lebanon

**Union Latina:** Organization founded to promote and disseminate the cultural heritage of the Latin World

**UNITAR:** United Nations Institute for Training and Research

**UNMEE:** United Nations Mission in Ethiopia and Eritrea

**UNMIL:** United Nations Mission in Liberia

**UNMIS:** United Nations Mission in the Sudan

**UNMIT:** United Nations Integrated Mission in Timor-Leste

**UNMOGIP:** United Nations Military Observer Group in India and Pakistan

**UNOCI:** United Nations Operation in Côte d'Ivoire

**UNOMIG:** United Nations Observer Mission in Georgia

**UNRWA:** United Nations Relief and Works Agency for Palestine Refugees in the Near East

**UNWTO:** United Nations World Tourism Organization

**UPU:** Universal Postal Union

**WCL:** World Confederation of Labour

**WCO:** World Customs Organization

**WFTU:** World Federation of Trade Unions

**WHO:** World Health Organization

**WIPO:** World Intellectual Property Organization

**WMO:** World Meteorological Organization

**WTO:** World Trade Organization

**ZC:** Zangger Committee

### COUNTRY BACKGROUND

**Chief of State/Head of Government:** President Luiz Inacio Lula da Silva; elections to be held in 2010.

**Government:** Federal Republic

**Capital:** Brasilia

**Major Cities:** Brasilia, Fortaleza, Manaus, Recife, Rio de Janeiro, Salvador and Sao Paulo.

**Major Ports:** Guaiba, Ilha Grande, Paranagua, Rio Grande, Santos, Sao Sebastiao, and Tubarao

**Airports:** 4,263 airports with 718 equipped with paved runways.

**Population (2008 est.):** 191,908,598

**Official Language:** Portuguese

**Currency:** Real (BRL) has a current exchange rate of \$1 USD = 1.599 BRL.

**General Geography:** Brazil is the largest country in South America, with 8,456,510 sq km of land, located on the eastern coast bordering the Atlantic Ocean. Brazil also shares common boundaries with every South American country except Chile and Ecuador.



### TRADE AND COMMERCE ASPECTS

**GDP (2007 est.):** \$ 1.836 trillion

**Per Capita GDP (2007 est.):** \$9,700

**Natural Resources:** Bauxite, gold, iron ore, manganese, nickel, phosphates, platinum, tin, uranium, petroleum, hydropower and timber.

**Agricultural Products:** Coffee, soybeans, wheat, rice, corn, sugarcane, cocoa, citrus and beef.

**Types of Industries:** Textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, aircraft, motor vehicles and parts, other machinery and equipment.

**International Organizations:** AfDB, BIS, CAN (associate), CPLP, CSN, FAO, G-15, G-24, G-77, IADB, IAEA, IBRD, ICAO, ICC, ICt, ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC, LAES, LAIA, Mercosur, MIGA, MINURSO, MINUSTAH, NAM (observer), NSG, OAS, OPANAL, OPCW, PCA, RG, UN, UNCTAD, UNESCO, UNFICYP, UNHCR, UNIDO, Union Latina, UNITAR, UNMEE, UNMIL, UNMIS, UNMIT, UNOCI, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO

**Trade Agreements:** As a part of Mercosur, Brazil has trade agreements with Bolivia, Chile, Peru, Andean Community, India and Mexico. They have also negotiated partial agreements with Suriname, Guyana, Colombia, Ecuador, Venezuela and Uruguay.

*Trade Partners:* U.S., Argentina, China, Netherlands, Germany, Mexico, Italy, Chile, Venezuela, South Korea, France, Algeria, Nigeria and Japan.

*Business Environment:* Brazil currently ranks 122<sup>nd</sup> out of 178 countries for ease of doing business as published by The World Bank in 2008. This rank reflects the 152 days required to start a business in the country. Currently, the major problem for the government continues to be the ability to control inflationary pressures, which will play a large part in the upcoming elections. Brazil is also expected to be affected by the slowing of the U.S. economy and lower sales to the EU, resulting in a slower growth projection than developing countries in the Asian market. The government remains a large part of the economy, making it difficult for new firms to enter the public sector without a local partner. Brazil continues to be plagued with high crime rates, drug abuse, high unemployment and a large informal market.

These factors, coupled with a complex tax system, make entering the Brazilian market a daunting task for foreign firms. Companies must also consider the tariff barriers, informal costs and a lack of protection for business and intellectual property rights. The use of a local agent is highly recommended to help navigate the business environment. Much business in Brazil is based on personal relationships; therefore a visit to the area should precede investment. Advantageous ways to invest in Brazil can begin with attending local trade shows, developing relationships with agents or distributors or engaging in joint ventures with local firms. A common challenge faced by firms seeking to export to Brazil is the ability to find one local distributor to cover the vast market. Contracts with agents are entirely negotiable, and firms should consult a local attorney prior to entering into an agreement, as terminating contracts can be costly.

In 2000, the Brazilian market became increasingly liberalized allowing foreign investors equal access to certain industries, similar to domestic firms. Privatization has increased in many sectors including petroleum, telecommunications, mining, power generation, and internal transport. Certain sectors still remain restricted to foreign investment such as media, nuclear energy, health services, rural property, fishing, mail and telegraph, aviation and aerospace. The government is currently considering extending the media restrictions to cover Internet Service Providers (ISP) which will affect current investors in that market.

According to the Foreign Trade Secretariat of the Ministry of Development, Industry and Foreign Trade, tariffs have significantly decreased from 32% in 1990 to a Normal Trade Relations (NTR) rate of 11% in 2006. Despite these reductions, tariffs remain high for the region effectively providing protection for local products. Imports are subject to three taxes including the Import Duty (II), Industrialized Product Tax (IPI), and Merchandise and Service Circulation Tax (ICMS) in addition to other small taxes and fees. Questions have been raised about whether Brazil is in compliance with WTO requirements regarding imports; while the process for importing products into the country has improved, it still remains complicated and subject to delays. The use of Free Trade Zones is beneficial, specifically the Manaus Free Trade Zone which is the most important trade zone for U.S. companies, as trade protections have recently been extended until 2013.

Travelers visiting Brazil from the U.S. require a valid Visa issued within 90 days of arrival. Attempting to enter Brazil without proper documentation will likely result in denied access. It currently takes 15 days to process a work permit from the time a completed application is received. There are currently seven categories of visas available and specific information on the different types is listed at <http://www.braziltradenet.gov.br/CDINVESTIMENTO/?Idioma=I>.

### EXPORTS AND IMPORT

Brazil currently has the 12<sup>th</sup> largest world economy with over \$280 billion USD in annual trade. Total trade with the U.S. topped \$50 billion USD and gained Brazil a ranking of 11<sup>th</sup>. South Florida traded over \$10 billion USD worth of products, showing a 21% increase from the previous year with Brazil and maintaining their position as the number one trading partner with the region for fifteen years.

*Exports* from Brazil amounted to \$160.6 billion USD for 2007 and were primarily sent to the U.S. (17.8%), Argentina (8.5%), China (6.1%), Netherlands (4.2%) and Germany (4.1%). The main products exported include: Transport equipment, iron ore, soybeans, footwear, coffee and automobiles. Products arriving into the District of Miami from Brazil totaled \$2.3 billion USD and included the following top imports: Aircraft (\$1B), cellular and landline phones & parts (\$166M), imports of returned exports (\$93M), handguns (\$65M) and stone monuments and other similar artwork (\$57M).

*Imports* to Brazil are estimated to total \$120.6 billion USD for 2007 and originated from the U.S. (16.2%), Argentina (8.8%), China (8.7%), Germany (7.1%), Nigeria (4.3%) and Japan (4.2%). The most common items imported included: Machinery, Electrical and transport equipment, Chemical products, Oil, Automotive parts and Electronics. Exports originating from Miami totaled \$8.4 billion USD, representing the largest trade with Brazil from any single customs district in the U.S. The primary products exported included: Jet engines & parts (\$1B), aircraft parts (\$1B), computers (\$843M), computer parts (\$752M) and electronic integrated circuits (\$358M).

### FOREIGN DIRECT INVESTMENT

Foreign Direct Investment (FDI) has increased significantly over the past years and continues to support the balance of payments for Brazil. Investment activities are handled by the Ministry of External Relations which hosts a website containing materials for potential investors ([www.braziltradenet.gov.br](http://www.braziltradenet.gov.br)). Within this ministry, the Investment and Technology Transfer Promotion System for Companies (SIPRI) in cooperation with the Trade Promotion Sections (SECOMS) provide assistance to incoming firms by receiving their registration information from the website, and aiding them through the investment process. In 2006, inbound FDI was estimated to reach \$18 billion USD, with outbound exceeding this for the first time with \$26 billion USD. The largest investor in Brazil continues to be the U.S. followed by the Netherlands, Cayman Islands, Spain, Canada and Mexico. Cumulative inbound FDI nearly reached \$250 billion USD by year end 2007 with outbound investment totaling \$107 billion USD. The following industries are rapidly growing and ready for U.S. investment: Semiconductors, pharmaceuticals, software, biomass and bioenergy and capital goods. Currently 16 Brazilian companies have a presence in South Florida as shown in the 2008 Global Economic Impact Study.

### RECOMMENDATION

A trade mission to Brazil would be highly recommended due to their continued rapid growth. While they will certainly be affected by the global slowdown, their status as one of the BRIC's (Brazil, Russia, India and China) representing the worlds top developing nations, they are poised to continue on their path of rapid expansion. With increased outbound FDI, Brazilian companies are actively investing outside their home country. The difficulties associated with entering Brazil are typical of those encountered in emerging markets and just require increased care when considering an investment. Brazil continues to be a top trading partner with South Florida with over \$10 billion USD last year alone. With extensive focus on infrastructure development and improvement, companies have an opportunity to engage in public-

private partnerships to further develop this market. Brazil also continues to benefit from strong public and private investment into the growing biofuel market, emerging as the world leader in this industry. Significant partnership opportunities exist between the following:

- The Greater Miami Chamber of Commerce (GMCC) and the Brazilian-American Chamber of Commerce of Florida;
- The International Trade Consortium and the Beacon Council with the Ministry of External Relations (MRE) and Trade Promotion Sections (Secom);
- Miami Port Authority and the Port of Manaus and Port Authority of Santos;
- The Miami International Airport and Infraero, or Airport Authority of Brazil

The list below identifies expanding markets in Brazil and local South Florida companies that might benefit from a trade mission to the area: <sup>1</sup>

- Transport Equipment: Streicher Mobile Fueling in Fort Lauderdale ([http://www.mobilefueling.com/about\\_company.htm](http://www.mobilefueling.com/about_company.htm));
- Chemical Products: Fassi Chemical in Sunrise ([http://www.thefassigroup.com/index\\_chemical.html](http://www.thefassigroup.com/index_chemical.html));
- Oil: World Fuel Services Corporation in Miami (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang=>);
- Electronics/Semiconductors: Precision Trading Corporation (<http://precisiontrading.com/>) and All American Semiconductor (<http://www.allamerican.com/>);
- Pharmaceuticals: Noven Pharmaceuticals in Miami (<http://www.noven.com/>);
- Software: Ultimate Software Group in Westin (<http://www.ultimatesoftware.com/index.asp>) and Systems Design & Development in Delray Beach ([http://www.sddsystems.com/aboutus\\_whoare.asp](http://www.sddsystems.com/aboutus_whoare.asp)).

The best way to enter the Brazilian market would be through the attendance of local trade shows. Business relationships in Brazil are based on personal interactions and a visit to the area should precede investment. After attending trade shows, an effective way to begin selling to the market is through exporting or e-commerce. Due to the complexities of opening a physical location in the region, this is best done after a presence is established. Finally, with the large amount of U.S. firms operating in Brazil, their insight and advice should be obtained to learn about the intricacies of entering the market.

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<sup>1</sup> These South Florida businesses were identified in the 2007/2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Brazil or one of the top five products imported into the country.

*Representatives in the area include:*

Ambassador Clifford M. SOBEL  
Avenida das Nacoes, Quadra 801, Lote 3, Distrito Federal Cep 70403-900, Brasilia  
Tel: (5561) 3312-7000  
Fax: (5561) 3225-9136

Brazilian American Chamber of Commerce of Florida, INC.  
P.O. Box 310038, Miami, FL 33231-0038  
Tel: (305) 579-9030  
Fax: (305) 579-9756  
E-mail: [baccf@brazilchamber.org](mailto:baccf@brazilchamber.org)  
Web: [www.brazilchamber.org](http://www.brazilchamber.org)  
President: Mr. Aloysio Vasconcelos

Enterprise Florida, Brazil Office  
Carlos Heckmann, Senior Director  
[http://www.eflorida.com/Contact\\_International\\_Brazil.aspx](http://www.eflorida.com/Contact_International_Brazil.aspx)

INFRAERO (Empresa Brasileira de Infra-Estrutura Aeroportuaria)  
SCS Quadra 04, Bloco A No. 58, Brasilia – DF CEP 70304-902  
Tel: (061) 3312-3222  
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[http://www.infraero.gov.br/usa/item\\_gera.php?gi=instempr](http://www.infraero.gov.br/usa/item_gera.php?gi=instempr)

Ministério das Relações Exteriores (MRE)  
Palácio Itamaraty - Esplanada dos Ministérios - Bloco H, Brasília/DF - Brasil  
CEP: 70170-900  
Web: [http://www.mre.gov.br/index.php?option=com\\_frontpage&Itemid=954](http://www.mre.gov.br/index.php?option=com_frontpage&Itemid=954)  
Secom Miami (Trade Promotions Section)  
80 SW 8th Street, Suite 2600, Miami, Florida 33130  
Tel: (305) 285-6217  
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E-mail: [bgtb@brazilmiami.org](mailto:bgtb@brazilmiami.org)  
Web Site: [www.brazilmiami.org](http://www.brazilmiami.org)  
Chief: Ministro Luiz Felipe Mendonça Filho

**Sources:** The Beacon Council, Brazil.gov, Brazil Trade Net, Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, INFRAERO, Ministry of External Relations (Brazil), South Florida Business Journal “Book of Lists”, STAT USA, U.S. Commercial Service, U.S. Department of Commerce, U.S. State Department, and the World Bank.

## COUNTRY BACKGROUND

**Chief of State/Head of Government:** Alvaro Uribe Velez, elections to be held in May 2010.

**Government:** Republic

**Capital:** Bogotá

**Major Cities:** Bogotá, Barranquilla, Cali, Cartagena, Cúcuta and Medellín.

**Major Ports:** Barranquilla, Buenaventura, Cartagena, Santa Marta and Turbo.

**Airports:** 934, including 103 with paved runways.

**Population (2008 est.):** 45,013,674

**Official Language:** Spanish

**Currency:** Colombian peso (COP) which currently exchanges at \$1 USD = 1,679.50 COP.

**General Geography:** With 1,038,700 sq km of land mass, Colombia is located in Northern South America; bordering the Caribbean Sea. Situated between Panama and Venezuela, Colombia borders the North Pacific Ocean, between Ecuador and Panama.



## TRADE AND COMMERCE ASPECTS

**GDP (2007 est.):** \$319.5 billion

**Per Capita GDP (2007 est.):** \$6,700

**Natural Resources:** Petroleum, natural gas, coal, iron ore, nickel, gold, copper, emeralds and hydropower.

**Agricultural Products:** Coffee, cut flowers, bananas, rice, tobacco, corn, sugarcane, cocoa beans, oilseed, vegetables, forest products and shrimp.

**Types of Industries:** Textiles, food processing, oil, clothing and footwear, beverages, chemicals, cement, gold, coal and emeralds.

**International Organizations:** BCIE, CAN, Caricom (observer), CDB, CSN, FAO, G-3, G-24, G-77, IADB, IAEA, IBRD, ICAO, ICC, ICCT, ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC, LAES, LAIA, Mercosur (associate), MIGA, NAM, OAS, OPANAL, OPCW, PCA, RG, UN, UNCTAD, UNESCO, UNHCR, UNIDO, Union Latina, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO

**Trade Agreements:** Extensive negotiations have surrounded the Free Trade Agreement (FTA) with the U.S. which is currently awaiting U.S. ratification. Negotiations are also being conducted with Canada, the European Union, and EFTA (Switzerland, Norway, Island, and Liechtenstein). FTA's are in effect with Chile, the Central American countries (El Salvador, Guatemala, and Honduras), the Andean Community (Ecuador, Bolivia and Peru), Latin American Integration

Association (ALADI), Central American Common Market (CACM) countries, Panama, Cuba, and Caribbean Community (CARICOM). Colombia also has signed bilateral trade agreements with Hungary, the Czech Republic, Romania, Russia, Malaysia, Indonesia, India, China, South Korea, Algeria, Kenya, Egypt, Morocco, Israel, and the Ivory Coast.

*Trade Partners:* U.S., Venezuela, Ecuador, Brazil, Mexico, China and Japan.

*Business Environment:* Colombia currently ranks 66<sup>th</sup> out of 178 countries for Ease of Doing Business as evaluated by the World Bank in 2008. It is estimated to take 42 days to start a business in the country. While the growth in exports and strong Foreign Direct Investments (FDI) from abroad has strengthened the economy, political leaders continue to battle inflation and a large budget deficit. Earnings in the first quarter effectively reduced the deficit, but recent signs point to an economic slowdown for the remainder of 2008. Colombia is susceptible to the declining markets in the U.S. and Venezuela, their primary trading partners. Another risk associated with entering Colombia is their sustained difficulties enforcing intellectual property rights (IPR) as they remain on the State Departments Special 301 “Watch List” since 1991.

The government still maintains a significant presence in the market even after the adoption of “Law 80” which states the requirement for transparency and open bidding for government contracts. Firms hoping to enter the public sector should consider taking on a local partner; firms must also hire local legal representation to be eligible to bid on government contracts. With a strong push for infrastructure growth in areas such as water treatment, water sewage, airports, port and roads, foreign firms have a great opportunity to get involved.

When entering the Colombian market, companies should be sure to work with a local agent, develop personal relationships, use the local language and ensure after sales service is in place. The U.S. Commercial Service recommends taking the following steps when entering the Colombian market:

- Appoint a legal representative in Colombia to prepare the documents and carry out the necessary steps with the Notary Public and chambers of commerce.
- Prepare company by-laws (Escritura Publica) and register with a Public Notary. This should include a statement of purpose for the firm, amount of capital invested, and identify a legal representative. (Time: 2-3 days; Cost: .0027% of capital being registered and 16% Value-Added Tax (VAT)).
- Register and legalize the company with a chamber of commerce and obtain an Income Tax Identification Number (NIT). (Time: 4 days; Cost: 0.7 % fee on the capital registered plus other minor charges.
- Complete all other banking and currency operations. This includes the opening of bank accounts and transferring of foreign currency. (Cost: Minimal fees; Time: Total process is estimated to take less than 4 weeks).

Tariffs are assessed at four different levels: zero percent on capital goods, five percent on industrial goods and raw materials, ten percent on manufactured goods with some exceptions, and 20 percent on items included on the list of sensitive goods, including consumer products. Additional tariffs are assessed on certain agricultural items, at times reaching 100%. In 2005, the government approved a waiver of import tariffs on equipment and accessories associated with oil and gas activities increasing access for U.S. firms entering the market. *Plan Vallejo* is a special import-export system that allows exporters to apply to the

Ministry of Trade, Industry and Tourism for an exemption of tariffs on imported raw materials being used in the production of exports. Imported goods typically have higher prices due to these barriers with consumers paying between 60-100% over the Free on Board (FOB) price. In addition, many non-tariff barriers exist that can delay or prohibit shipments from arriving at their destination including discretionary import licensing, labeling requirements and testing standards.

U.S. citizens traveling to Colombia are required to have a valid passport stamped upon entry and stay is limited to 60 days. Proof of a return ticket must also be shown. Business Visas, Temporary Managerial Visas and Special Visas are available for business travelers needing to stay longer in Colombia. These are issued for periods up to five years and have varying requirements for durations of stay. Further information about visa requirements can be obtained through the Colombian Ministry for Foreign Affairs.

### EXPORTS AND IMPORTS

Total trade for Colombia topped \$60 billion in 2007. Colombia conducted nearly \$18 billion USD worth of trade with the U.S. ranking as their 30<sup>th</sup> largest trading partner. Trade with the State of Florida accounted for more than 25% of this amount, with Columbia ranking 3<sup>rd</sup> for exports to Florida and 9<sup>th</sup> for imports.

*Exports* amounted to \$30.58 billion according to 2007 estimates. Colombia's most prominent trading partners included the U.S. (35.8%), Venezuela (11.4%) and Ecuador (5.4%) and included the following exports: Petroleum, coffee, coal, nickel, emeralds, apparel, bananas and cut flowers. Imports into Miami totaled \$1.7 billion USD with the top five products including: Fresh-cut flowers (\$496M), gold (\$200M), Men's or boy's suites (\$153M), scraps of precious metals (\$137M) and miscellaneous aluminum (\$137M). Miami represents the largest U.S. port for trade with Colombia.

*Imports* totaled \$31.17 billion in 2007 and was mainly conducted with the US (26.8%), Brazil (8.6%), Mexico (8.5%), China (6%), Venezuela (5.6%) and Japan (4.1%). The main imports into Colombia include industrial equipment, transportation equipment, consumer goods, chemicals, paper products, fuels and electricity. Colombia received \$3.1 billion USD worth of imports originating from Miami including: Computers (\$371M), computer parts (\$174M), machinery parts (\$174M), cellular and landline phones (\$123M) and aircraft parts (\$92M).

### FOREIGN DIRECT INVESTMENT

The Ministry of Trade, Industry and Tourism regulates FDI in coordination with the Ministry of Finance and Public Credit. The primary regulations for investment originate from the Council on Economic and Social Policy (CONPES). Cumulative inbound FDI amounted to \$54 billion USD by the end of 2007. Outbound investment totaled \$10 billion USD through 2007. Leading sectors for U.S. investment include: Automotive parts, business process outsourcing, call centers, cosmetics and medical devices. Currently there are 13 companies from Colombia with a presence in South Florida according to the 2008 Global Economic Impact Study.

### RECOMMENDATION

A trade mission to Colombia would be recommended at this time. Colombia clearly demonstrates itself as an advanced developing nation, despite lingering political and social disturbances. The population is becoming increasingly sophisticated with mainstream use of

technology, including cellular phones. Colombia displays a high level of productivity, a well developed banking system and a rapidly growing consumer market. If entering Colombia, companies should consider issues such as higher than average tariff rates and weak IPR protection prior to entering the market. Limiting initial trips and business to major metropolitan areas would help to decrease the associated risk. Despite these factors, Colombia has a relatively well developed infrastructure and dedicated workforce, making it an attractive market for investment. If a trade mission is conducted, possible partnership opportunities exist between the following organizations:

- The Greater Miami Chamber of Commerce with the Bogota Chamber of Commerce and the Colombian-American Chamber of Commerce (AMCHAM);
- The International Trade Consortium and the Ministry of Commerce, Industry and Tourism along with Invest in Bogota organization;
- Miami Port Authority and the Ports Authorities of Barranquilla, Cartagena and Santa Marta;
- The Miami International Airport and the international airports of Bogotá, Barranquilla, Cartagena, Cali, Cúcuta, Leticia, Medellín, and San Andres Island.

Below includes a list of companies that participate in a growing or targeted market for Colombia and may benefit from a future relationship in that area:<sup>1</sup>

- Industrial and Transportation Equipment: Streicher Mobile Fueling in Fort Lauderdale ([http://www.mobilefueling.com/about\\_company.htm](http://www.mobilefueling.com/about_company.htm));
- Chemicals: Streicher Mobile Fueling in Fort Lauderdale ([http://www.mobilefueling.com/about\\_company.htm](http://www.mobilefueling.com/about_company.htm));
- Fuels: World Fuel Services Corporation in Miami (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang=>);
- Business Process Outsourcing: Neoris in Miami (<http://www.neoris.com/>);
- Contact Centers: Epixtar of Miami (<http://www.epixtar.com/index.asp>);
- Medical Devices: Anspach in Palm Beach Gardens (<http://www.anspach.com/company.php>) and Biomet 3i in Palm Beach Gardens (<http://biomet3i.com/English/Corporate/index.cfm?languageID=0>).

Entering the Colombian market should begin with exporting; if a larger presence is wanted firms should consider franchising or outsourcing business process operations to the region. With a highly qualified and dedicated work force, many large firms have contracted services in Colombia. E-commerce has also been growing in popularity and with the potential ratification of the Colombian FTA, tariffs and importing requirements are expected to ease significantly. Relationships should be developed before entering the market, and advice from other U.S. firms engaged in the area should be sought.

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<sup>1</sup> These South Florida businesses were identified in the 2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Colombia or one of the top five products imported into the country.

*Representatives in the area include:*

Ambassador William R. BROWNFIELD  
Calle 24 Bis No. 48-50, Bogota, D.C.  
Tel: (571) 315-0811  
Fax: (571) 315-2197

Bogota Chamber of Commerce  
Tel: (019) 00 331-8383  
<http://camara.ccb.org.co/ccbingles/portal/Default.aspx>

Colombian-American Chamber of Commerce  
Calle 98, # 22-64, Oficina 1209, Apartado Aereo 8008, Bogota, Colombia  
Tel: (571) 623-7088  
Fax: (571) 612-6838  
[www.colombiachamber.com/](http://www.colombiachamber.com/)

Invest in Bogota  
Carrera 7ª No. 71, 21 Torre B, Oficina 901, Bogotá D.C. - Colombia  
Tel: (571) 742-3030  
Email: [info@investinbogota.org](mailto:info@investinbogota.org)

Ministry of Commerce, Industry and Tourism, Republic of Colombia.  
Calle 28 No 13 A – 15 Calle 28 No. 13 – 15, Bogotá, Colombia  
Tel: (571) 606 76 76  
Call center of foreign trade: (01900) 331 00 21  
Email: [info@mincomercio.gov.co](mailto:info@mincomercio.gov.co)

*Sources:* The Beacon Council, Central Intelligence Agency World Fact Book, Colombia Trade News, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Invest in Bogota, Ministry of Commerce, Industry and Tourism, South Florida Business Journal “Book of Lists”, STAT USA, U.S. Commercial Service, U.S. Department of Commerce, U.S. State Department, and the World Bank.

### COUNTRY BACKGROUND

**President:** Elias Antonio Saca Gonzalez, upcoming elections scheduled in March 2009.

**Government:** Republic

**Capital:** San Salvador

**Major Cities:** San Salvador, Santa Ana, San Miguel, Nejapa, Sonsonate and San Vicente.

**Major Ports:** Acajutla and Puerto Cutuco.

**Airports:** 65 airports, 4 equipped with paved runways.

**Population (2008 est.):** 7,066,403

**Official Language:** Spanish, Nahua (among some Amerindians)

**Currency:** The USD was adopted as the official currency in 2001.

**General Geography:** Located in Central America, bordering the North Pacific Ocean, this 20,720 sq km of land is situated in between Guatemala and Honduras.



### TRADE AND COMMERCE ASPECTS

**GDP (2007 est.):** \$41.65 billion

**Per Capita GDP (2007 est.):** \$5,800

**Natural Resources:** Hydropower, geothermal power, petroleum and arable land.

**Agricultural Products:** Coffee, sugar, corn, rice, beans, oilseed, cotton, sorghum, beef, dairy products and shrimp.

**Types of Industries:** Food processing, beverages, petroleum, chemicals, fertilizer, textiles, furniture and light metals.

**International Organizations:** BCIE, CACM, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC, LAES, MIGA, MINURSO, NAM (observer), OAS, OPANAL, OPCW, PCA, RG, UN, UNCTAD, UNESCO, UNIDO, Union Latina, UNMIL, UNMIS, UNOCI, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO

**Trade Agreements:** El Salvador currently has Free Trade Agreements (FTA's) with Chile, Mexico, Dominican Republic, Panama, Taiwan, Colombia, and Central America Free Trade Agreement – Dominican Republic (CAFTA-DR: U.S., Guatemala, Honduras, Dominican Republic, awaiting approval from Costa Rica). Negotiations are underway to sign FTAs with the European Union and Canada.

**Trade Partners:** US, Guatemala, Honduras, Nicaragua, Mexico, Germany and China.

**Business Environment:** El Salvador ranked 69<sup>th</sup> out of 178 countries on the Ease of Doing Business by the World Bank, and it is estimated to take 26 days to start a business in the country. Currently, El Salvador is facing a time of political change due to the absence of a political majority in the legislature. Heading into an election year, it appears this environment will become more difficult to navigate due to the diverse political parties further increasing the efforts needed to pass legislation. The government currently battles high crime rates, along with increasing inflation and a slowing economy. With an economy closely tied to the U.S. which receives over 50% of their exports, El Salvador has and will continue to see a slowdown in the economy and GDP growth into 2009. After the political elections, fiscal policy is expected to tighten to control prices and inflation.

The government of El Salvador places great emphasis on increased trade and private investment as crucial elements to their economic success. Thus they have created the freest market in Central America ranking 33<sup>rd</sup> out of 162 countries on the Heritage Index of Economic Freedom with only Chile boasting a freer economy in Latin America. A major source of income for El Salvador is remittances from family members living and working in the U.S. This figure has climbed to over \$3.6 billion USD in 2007.

While El Salvador has a relatively free economy, there are some challenges facing businesses entering the market. Similar to other developing nations, companies entering the market will potentially face challenges with the adequacy of the judicial system and Intellectual Property Rights (IPR) protections. The government also continues to have an influence in the electricity sector, and has the ability to change commercial pricing. Finally, the country suffers from a lower level of literacy and education in the English language.

The best way to approach market entry is through exporting. The use of an agent is highly recommended and the negotiated contract should be non-exclusive until a workable business relationship has been established and verified. The small size of the country allows for the use of just one agent in San Salvador with the ability to reach the entire population. The laws governing these relationships are found in the Salvadorian Commercial Code which details the specific aspects of these transactions. Obtaining local legal advice is strongly recommended to avoid penalties or fees when terminating a contract. A lawyer is also extremely helpful in helping to earn government bids. Business meetings tend to be more formal, and first names are not commonly used.

The National Investment Office (ONI) now offers complete services to help investors apply and open a business in El Salvador. Depending on the industry, this office can direct companies to the proper agencies to gain a license to conduct business. The minimum capital required to start a firm is under \$12,000 USD. With 13 free trade zones across the country, foreign firms can be eligible to receive certain incentives to operate in these areas.

Imported products are subject to an import duty and a Value Added Tax (VAT) of 13% which must be added to the purchase price of the product. Regular import taxes range from 0-15%, with agriculture products, textiles, vehicles and other non-essential items being assessed between 15-30%. Additionally, foreign businesses may have to submit a withholding tax of 20% on services provided to business and/or the government in El Salvador. Currently, the U.S. enjoys tax free entry of nearly 80% of imported products as a result of the CAFTA-DR and most agricultural tariffs are expected to be phased out over the next 15-20 years.

Visitors from the U.S. require only a valid passport to enter the country. A tourist card will be issued at the airport for a fee of \$10 USD, and a departure tax of \$32 USD is assessed if leaving by air or sea. Investors wishing to work or stay in El Salvador can apply for an “Investor’s Residence” which can be applied for 30 days after the initial investment. These permits have to be renewed periodically, but there are very little restrictions on the types of jobs that can be held by foreigners.

### EXPORTS AND IMPORTS

El Salvador’s number one trading partner continues to be the U.S. for both imports and exports. In 2007, trade with the U.S. totaled \$4.3 billion USD, ranking El Salvador as the 58<sup>th</sup> largest trading partner with the states. This included exports of \$2.3 billion USD and imports of \$2 billion USD. Trade with the State of Florida totaled over \$1.72 billion USD accounting for 40% of their trade with the U.S. Trade with Miami totaled \$1.6 billion USD, making Miami the largest port for trade with El Salvador in the State.

*Exports* amounted to \$3.83 billion in 2007. The bulk of their trade in 2007 was conducted with the following countries: US (49.6%), Guatemala (14.4%), Honduras (8.8%) and Nicaragua (5%). The primary exports included: Offshore assembly exports, Coffee, Sugar, Shrimp, Textiles, Chemicals and Electricity. Exports to Miami totaled \$699 million USD in 2007 and included the following top five product categories: Sweaters and pullovers, knit or crocheted (\$159M), t-shirts, knit or crocheted (\$104), women’s and girls slips (\$63M), pantyhose and socks (\$58M) and women’s undergarments (\$38M).

*Imports* were estimated to be \$8.208 billion in 2007. Their most important trade partners were US (32.2%), Guatemala (9.3%), Mexico (7.4%), Germany (6.3%), and China (4.7%). The most common products imported into El Salvador included: Raw materials, Consumer goods, Capital goods, Fuels, Foodstuffs, Petroleum, and Electricity. Products received from the district of Miami totaled \$992 million USD and included the following top five product categories: Cellular and landline phones (\$83M), pantyhose and socks (\$56M), cotton (\$48M), electric capacitors (\$40M) and computer parts (\$38M).

### FOREIGN DIRECT INVESTMENT

The regulations governing Foreign Direct Investment (FDI) originate from the following laws: Investment Law, Export Reactivation Law and Free Trade Zones Law. Markets currently showing potential for future investment are agribusiness, textiles and clothing, contact centers, light manufacturing and electricity, logistics and distribution and footwear. Additionally, El Salvador is currently undertaking many infrastructure projects including reconstruction of ports, railways, electricity, telecommunications and highways. Inbound foreign investment cumulatively reached \$3.7 billion USD by the end of 2006 with the U.S. contributing to over 28% of this figure. Outbound FDI has not been as strong, and actually recorded negative growth in 2006. Currently, two El Salvadorian companies have their US/America’s headquarters in South Florida: Argus and TACA.

### RECOMMENDATION

A trade mission to El Salvador would be recommended. With the current push for infrastructure development, ample opportunities exist for firms to invest. El Salvador is also poised to expand their biofuels market based on their level of production combined with effective actions by the government to promote this sector. Additionally, El Salvador has a strong trade relationship with the U.S. focused primarily on receiving imports from the States. The District of Miami has an opportunity to further build

this relationship and capture more of this trade. The following suggestions include potential partnership opportunities for local organizations:

- The Greater Miami Chamber of Commerce and the Salvadorian Chamber of Commerce and Industry;
- The International Trade Consortium and the Promotion of Investment in El Salvador (PROESA);
- Miami Port Authority along with the Miami International Airport and the Port and Airport Administration (CEPA).

Below are industries that have been highlighted as opportunities for growth in the Salvadorian market. Additionally, the following local companies have been recognized for participating in these markets, and could possibly benefit from a visit to El Salvador:<sup>1</sup>

- Fuels: World Fuel Services Corporation in Miami (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang=>);
- Foodstuffs: Northwestern Meat Inc. in Miami (<http://www.numeat.com/>), Quirch Foods in Miami (<http://www.quirchfoods.com/>), Trujillo & Sons (<http://www.trujilloandsons.com/home.htm>) and Basic Food International in Fort Lauderdale ([www.basicfood.com](http://www.basicfood.com));
- Textiles and Clothing: Claire’s Stores in Pembroke Pines (<http://www.clairestores.com/phoenix.zhtml?c=68915&p=irol-IRHome>) and Perry Ellis in Miami ([www.pery.com](http://www.pery.com));
- Logistics and Distribution: Ryder Systems in Miami (<http://www.ryder.com/index.shtml?disp=us>);
- Contact Centers: Epixtar of Miami (<http://www.epixtar.com/index.asp>).

Entry into this market should begin with attendance at receptions in local upscale hotels combined with advertising campaigns. Many products gain popularity in El Salvador through recognition when items are brought back from visits to the U.S. This exposure can lead the way to developing a relationship with an agent or distributor. E-commerce is still relatively new in El Salvador and regulations are just now being drafted. If increased investment is desired, firms can enter into joint-ventures or establish a presence in the Free Trade Zones. Once the incorporation paperwork is completed, foreign firms are entitled to domestic treatment.

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<sup>1</sup> These South Florida businesses were identified in the 2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in El Salvador or one of the top five products imported into the country.

*Representatives in the area include:*

Ambassador Charles L. GLAZER  
Final Boulevard Santa Elena Sur, Antiguo Cuscatlan,  
La Libertad, San Salvador  
Tel: (503) 2278-4444  
Fax: (503) 2278-6011

American Chamber of Commerce of El Salvador (AMCHAM)  
Mr. Francisco Armando Arias, President  
Ms. Carmen Aida Muñoz, Executive Director  
Edificio World Trade Center, Torre 2 Nivel 3  
San Salvador, El Salvador, C.A.  
Tel: (503) 2263-9494  
Fax: (503) 2263-9393  
Web page: <http://www.amchamsal.com>

Cámara de Comercio e Industria de El Salvador  
(Salvadoran Chamber of Commerce and Industry)  
Mr. Jorge Daboud, President  
9a. Avenida Norte y 5a. Calle Poniente  
San Salvador, El Salvador, C.A.  
Tel: (503) 2231-3000  
Fax: (503) 2271-4461  
Web page: <http://www.camarasal.com/>

Comisión Ejecutiva Portuaria Autónoma (CEPA)  
(Port and Airport Administration)  
Mr. Albino Román, President  
Boulevard Los Héroes, Edificio Torre Roble, Metrocentro, San Salvador, El Salvador, C.A.  
Tel: (503) 2218-1231 / 1308  
Fax: (503) 2260-3321  
Web page: <http://www.cepa.gob.sv>

PROESA (Promotion of Investment in El Salvador)  
Edificio D'Corá, Primer Nivel, Boulevard Orden de Malta, Building D'Corá, First Level, Boulevard  
Order of Malta, Urb. Santa Elena, Antiguo Cuscatlán, La Libertad, El Salvador, CA St. Helena, Antiguo  
Cuscatlán, La Libertad, El Salvador, CA  
Tel: (503) 2210 2500 (2210 2521)  
Fax: (503) 2210 2508  
Email: [info@proesa.com.sv](mailto:info@proesa.com.sv)

*Sources:* The Beacon Council, Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Inter-American Development Bank, Promotion of Investment in El Salvador (PROESA), South Florida Business Journal “Book of Lists”, STAT USA, U.S. Commercial Service, U.S. Department of Commerce, U.S. State Department, and the World Bank.

## COUNTRY BACKGROUND

**President:** Alvaro Colom Caballeros who assumed office in January 2008.

**Government:** Constitutional Democratic Republic

**Capital:** Guatemala

**Major Cities:** Amatitlán, Chinautla, Cobán, Escuintla, Guatemala, Mixco, Quezaltenango and Villa Nueva.

**Major Ports:** Puerto Quetzal, Puerto Barrios and Puerto Santo Tomás de Castilla.

**Airports:** 402 airports, 12 equipped with paved runways.

**Population (2008 est.):** 13,002,206

**Official Language:** Spanish 60% and Amerindian languages 40%.

**Currency:** Quetzal (GTQ) and USD; Current exchange rate is \$1USD = 7.412 GTQ

**General Geography:** Located in Central America, bordering the North Pacific Ocean, between El Salvador and Mexico. With 108,430 sq km of land area, Guatemala also borders the Gulf of Honduras (Caribbean Sea) between Honduras and Belize.



## TRADE AND COMMERCE ASPECTS

**GDP (2007 est.):** \$62.53 billion

**Per Capita GDP (2007 est.):** \$4,700

**Natural Resources:** Petroleum, nickel, rare woods, fish, chicle and hydropower.

**Agricultural Products:** Sugarcane, corn, bananas, coffee, beans, cardamom, cattle, sheep, pigs and chickens.

**Types of Industries:** Sugar, textiles and clothing, furniture, chemicals, petroleum, metals, rubber and tourism.

**International Organizations:** BCIE, CACM, FAO, G-24, G-77, IADB, IAEA, IBRD, ICAO, ICC, ICRM, IDA, IFAD, IFC, IFRC, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC, LAES, LAIA (observer), MIGA, MINUSTAH, MONUC, NAM, OAS, OPANAL, OPCW, PCA, RG, UN, UNAMID, UNCTAD, UNESCO, UNIDO, UNIFIL, Union Latina, UNMEE, UNMIS, UNOCI, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO.

**Trade Agreements:** Guatemala entered the Central American Free Trade Agreement – Dominican Republic (CAFTA-DR) upon completion of all requirements in July 2006 (U.S., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic). In addition, Guatemala has entered into

agreements with Chile, Mexico, the Dominican Republic, Panama, Colombia, Venezuela, Belize and Taiwan. They are also in negotiations with Canada, Caricom, and the European Union.

*Trade Partners:* U.S., El Salvador, Honduras, Mexico, China and South Korea.

*Business Environment:* Guatemala currently ranks 114<sup>th</sup> out of 178 countries for Ease of Doing Business as assessed by the World Bank. It is estimated to take 26 days to start a business in the country. Currently government leadership is facing a challenging political environment, with the Unidad Nacional de la Esperanza (UNE), the elected party, not controlling a majority of congress. This has and will continue to make the passage of new legislation difficult. Guatemala faces problems similar to other emerging markets in the region such as rising inflation and prices, high crime rates, poverty and child malnutrition. With one of the lowest tax bases in the region, increasing taxes will be a primary goal of the current government. This, combined with the current and expected decline in the economy, presents a huge obstacle to improving economic conditions.

Trade agreements, such as the Central American Free Trade Agreement – Dominican Republic (CAFTA-DR) have bolstered the economy, but these small gains are expected to be overshadowed by increased government spending and an expected slowdown in the economy. Their strong ties with the U.S. market, including trade and remittances, make Guatemala extremely vulnerable to an economic downturn.

When entering the Guatemalan market, it is important to contract local representation and to fully understand all agreements. While local agents may request exclusivity, this should be carefully considered before entering into a contract. If intellectual property needs to be registered, this should be done by company and not delegated to a local agent. In order to operate in Guatemala, the following steps should be taken:

- Register with the Mercantile Register
- Register with the Guatemalan Superintendent of Tax Administration

Tariffs follow the Central American Common Market (CACM) standards of 0-15%, with a few exceptions. With the ratification of the CAFTA-DR, nearly 80% of U.S. exports are free from tariffs and the remaining are expected to be phased out over the next 15- 20 years. Non-tariff barriers have also seen a reduction with the implementation of the WTO Customs Valuation Agreement in 2004.

U.S. visitors to the country must have a valid U.S. passport to enter and exit the country. This entrance allows for up to a 90 day stay. An exit fee of approximately \$30 USD and an airport fee of \$3.00 are normally assessed prior to departure. Persons looking to work in the country must apply for a visa, which can be a lengthy process due to the number of agencies involved.

## EXPORTS AND IMPORTS

Guatemala is ranked as the 52<sup>nd</sup> most important trading partner with the U.S. with overall trade totaling \$7.1 billion USD in 2007. For overall trade with the State of Florida, Guatemala ranks 15<sup>th</sup> with \$2.3 billion USD crossing the border. The District of Miami conducted over \$2.1 billion of that trade accounting for nearly 30% of trade between the U.S. and Guatemala and over 90% of the trade conducted with the state. While Guatemala increased overall trade with the U.S. by 7%, trade with Miami decreased from the previous year by 3%.

*Exports* were estimated to have totaled \$6.94 billion for 2007. The primary countries receiving these exports included the U.S. (44.6%), El Salvador (11.9%), Honduras (7.2%), and Mexico (5.2%). The main products exported were coffee, sugar, petroleum, apparel, bananas, fruits and vegetables and cardamom. In 2007, imports to Miami from Guatemala totaled \$863 million USD and were primarily comprised of: Sweaters, knitted or crocheted (\$183M), women's or girl's suits (\$166M), men's or boy's suits (\$77M), t-shirts, knitted or crocheted (\$59M) and women's or girl's suits, knitted or crocheted (\$41M).

*Imports* amounted to \$12.62 billion for 2007. Trade was primarily conducted between the US (33.2%), Mexico (8.8%), China (6.5%), El Salvador (5.3%), and South Korea (4.9%) with the products most commonly traded being fuels, machinery and transport equipment, construction materials, grain, fertilizers and electricity. Guatemala received over \$1.3 billion USD worth of products from the District of Miami. The top five products exported included: Computer parts (\$85M), computers (\$76M), cellular and landline phones (\$67M), TV and camera equipment (\$64M) and exports of charitable items, returned as imports (\$34M).

### FOREIGN DIRECT INVESTMENT

Targeted industries for export and investment include: agro-industry, manufacturing, tourism, call centers, refinery development, transport and logistics and clothing and textiles. Infrastructure development is also a primary goal of the new administration creating opportunities for future partnerships. Inbound foreign direct investment (FDI) is estimated to have reached \$535 million USD in 2007, a significant improvement over the previous year. The government continues to support and promote FDI. While the market continues to liberalize, and domestic and foreign firms receive similar treatment, there are still some extra requirements for foreign firms wishing to incorporate in Guatemala. These include a demonstration of solvency, a deposit of operating capital in a local bank, a requirement to share financial statements, an agreement to resolve all legal obligations before leaving the country, and the appointment of a Guatemalan citizen or foreign resident to be the legal representative. Currently 13 of the permitted 18 Free Trade Zones are operational in Guatemala and incentives for locating within these are written in law and extended to both foreign and domestic firms. Outbound investment totaled \$13 million USD in 2006.

### RECOMMENDATION

A trade mission trip to Guatemala would not be recommended at this time. While the government is actively trying to attract new investment and increase trade, the economical and political changes that are occurring increase the risk of such investment. Additionally, current relations between the business community and the President are somewhat strained. Substantial infrastructure development is still needed, along with improved control of inflation, crime and poverty. If a trade mission is conducted to Guatemala, the following partnership opportunities potentially exist between the organizations listed below:

- The Greater Miami Chamber of Commerce and Guatemala's Chamber of Commerce;
- The International Trade Consortium and Invest in Guatemala;
- Port of Miami and the Ports of Puerto Barrios and Puerto Santo Tomas de Castilla.
- The Miami International Airport and the International airports of La Aurora and Mundo Maya.

Based on targeted industries in Guatemala, the following local South Florida companies may benefit from a trip to the area: <sup>1</sup>

- Fuels: World Fuel Services Corporation in Miami (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang=>);
- Construction Materials: Allied Steel Buildings in Fort Lauderdale ([www.alliedbuildings.com](http://www.alliedbuildings.com)) and Causeway Lumber in Fort Lauderdale ([www.causewaylumber.com](http://www.causewaylumber.com));
- Contact Centers: Epixtar of Miami (<http://www.epixtar.com/index.asp>);
- Transportation and Logistics: Ryder Systems in Miami (<http://www.ryder.com/index.shtml?disp=us>) and Streicher Mobile Fueling in Fort Lauderdale ([http://www.mobilefueling.com/about\\_company.htm](http://www.mobilefueling.com/about_company.htm));
- Clothing and Textiles: Claire’s Stores in Pembroke Pines (<http://www.clairestores.com/phoenix.zhtml?c=68915&p=irol-IRHome>) and Perry Ellis in Miami ([www.pery.com](http://www.pery.com)).

The Guatemalan market needs to show increased economic growth and infrastructure development in order to become more attractive for investment. The country continues to battle with rapidly rising inflation, high crime rates and poverty which increase the risk of investment in the area. Politically, the country is currently struggling to pass regulation to attack these persistent problems; this will likely result in increased taxes to implement reform. While the biofuel market is ready for expansion, other interests in the country are impeding growth. Monitoring of the environment in Guatemala would be beneficial to determine the best time to invest.

*Representatives in the area include:*

Ambassador James M. Derham  
7-01 Avenida Reforma, Zone 10, Guatemala City  
Tel: (502) 2326-4000  
Fax: (502) 2326-4654

American Chamber of Commerce of Guatemala, AMCHAM  
5ª. Ave. 5-55, Zona 14, Edificio Europlaza, Nivel 5, Torre I, 01014 Guatemala  
Tel: (502) 2333-3899  
Fax: (502) 2368-3536  
Contact: Licda. Carolina Castellanos, Executive Director  
Lic. Jose Orive, President  
E-mail: [director@amchamguate.com](mailto:director@amchamguate.com)  
Web page: [www.amchamguate.com](http://www.amchamguate.com)

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<sup>1</sup> These South Florida businesses were identified in the 2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Guatemala or one of the top five products imported into the country.

Camara de Comercio de Guatemala  
(Guatemala's Chamber of Commerce)  
10 Calle 3-80, Zona 101001 Guatemala  
Tel: (502)2253-5353 or 2232-4545 or 2326-8888  
Fax: (502) 2220-9393  
Contact: Lic. Edgardo Wagner, President  
E-mail: [info@camaradecomercio.org.gt](mailto:info@camaradecomercio.org.gt)  
Web page: [www.negociosenguatemala.com](http://www.negociosenguatemala.com)

Invest in Guatemala  
10ª. Calle 3-17, Zona 10, Edificio Aseguradora General, 4º Nivel, 01010 Guatemala  
Tel: (502) 2421-2484  
Fax: (502)2421-2480/2460  
Contact: Ing. Rodolfo Batres, General Director  
E-mail: [manager@investinguatemala.org](mailto:manager@investinguatemala.org)  
Web Page: [www.investinguatemala.org](http://www.investinguatemala.org)

*Sources:* The Beacon Council, Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Invest in Guatemala, South Florida Business Journal “Book of Lists”, STAT USA, U.S. Commercial Service, U.S. Department of Commerce, U.S. State Department, and the World Bank.

### COUNTRY BACKGROUND

**President:** Manuel Zelaya Rosales; elections are scheduled to be held in late 2009.

**Government:** Democratic Constitutional Republic

**Capital:** Tegucigalpa

**Major Cities:** Tegucigalpa, La Ceiba, San Pedro Sula and El Progreso.

**Major Ports:** La Ceiba, Puerto Cortes, San Lorenzo and Tela.

**Airports:** 112 airports, 12 equipped with paved runways.

**Population (2008 est.):** 7,639,327

**Official Language:** Spanish and Amerindian dialects

**Currency:** The official currency is the lempira (HNL) which currently exchanges at \$1USD = 18.9 HNL.

**General Geography:** Honduras is located in Central America, bordering the Caribbean Sea, between Guatemala and Nicaragua. With 111,890 sq km of land they also have a small border on the Gulf of Fonseca (North Pacific Ocean), between El Salvador and Nicaragua.



### TRADE AND COMMERCE ASPECTS

**GDP (2007 est.):** \$30.65 billion

**Per Capita GDP (2007 est.):** \$4,100

**Natural Resources:** Timber, gold, silver, copper, lead, zinc, iron ore, antimony, coal, fish and hydropower.

**Agricultural Products:** Bananas, coffee, citrus, beef, timber, shrimp, tilapia, lobster, corn and African palm

**Types of Industries:** Sugar, coffee, textiles, clothing and wood products.

**International Organizations:** BCIE, CACM, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICCT, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, ISO (subscriber), ITSO, ITU, ITUC, LAES, LAIA (observer), MIGA, MINURSO, NAM, OAS, OPANAL, OPCW, PCA, RG, UN, UNCTAD, UNESCO, UNIDO, Union Latina, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO

**Trade Agreements:** Honduras is a participating member of the Central American Free Trade Agreement – Dominican Republic (CAFTA-DR) since 2005 (U.S., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Dominican Republic). A Free Trade Agreement (FTA) with Taiwan came into effect in July 2008 and negotiations are being conducted for an agreement between the EU and Central America.

*Trade Partners:* U.S., Guatemala, El Salvador, Costa Rica and Mexico.

*Business Environment:* Honduras ranks 121<sup>st</sup> out of 178 countries for Ease of Doing Business as assessed by the World Bank, with an estimated 44 days to get a business running in the country. Top political challenges for the government are high inflation, crime, corruption, rising prices, poverty, unemployment and a large fiscal deficit. The government's ability to attack these issues is limited due to the upcoming elections in 2009 and the lack of a majority in the Congress. Inflation reached an all time high of 12.2% this year and commitments to the International Monetary Fund (IMF) to reduce the fiscal deficit are not expected to be met. Economic conditions are expected to worsen with slower anticipated growth due to the U.S. economic slowdown and rising oil prices, further increasing the current trade deficit. Also, a unilateral decision by the President to close Honduras' main airport in Tegucigalpa to international flights has been met with much criticism. This decision was multiplied by the lack of progress on improving infrastructure throughout the country.

The current economic conditions have been magnified in nearly all sectors including construction, agriculture and mining. The two sectors seemingly unaffected by the slowdown are the banking and insurance industries which have shown relatively stable performance. Lending rates continue to be at an all time low, increasing the demand for credit.

The use of an agent or distributor is recommended, though that person is not required to be a Honduran national. These relationships are governed by "Law on Agents, Distributors and Representatives of Domestic and Foreign Companies" which includes specification for wrongful termination penalties. Based on this legislation, firms entering an agent agreement should not sign an exclusivity contract unless the relationship has already proven successful. Honduras has two main trade areas, San Pedro Sula in the Northern region and Tegucigalpa in the central region which can be sufficiently covered by the use of one agent or distributor. When entering the market, firms should be aware that consumers in Honduras are extremely price sensitive and care should be taken when deciding what products should be sold.

The following steps have been identified to be necessary when setting up a business in Honduras:

1. Obtain a certificate of deposit from a local bank (Time: 1 day; Cost: No charge);
2. "Constitute" the company in the presence of a Notary (Time: 2 days; Cost: 5% for up to 25,000 HNL and 3% for over 25,000 HNL of starting capital);
3. Request an authorization from the Ministry of Trade and Industry to conduct commercial activities and publish in the newspaper (Time: 1 days; Cost: \$15-35 USD);
4. Purchase contract and bar stamps from Banco Atlántida (Time: 1 day; Cost: .50 – 1,000 HNL);
5. File incorporation paperwork with the Mercantile Registry (Time: 5 days; Cost: 1.5 HNL for each 1,000 HNL of corporation capital plus 30 HNL up to 300,000 HNL of capital and 10 HNL for each 100,000 HNL above 300,000 HNL);
6. Apply for a tax identification code from the Ministry of Finance (Time: 1 day; Cost: No charge);
7. Acquire legal accounting and minutes books (Time: 1 day; Cost: \$180 USD);
8. Register with local and national chambers of commerce (Time: 1 day; Cost: nominal fee);
9. Apply for operational permits from the municipal authorities based on industry (Time: 1 day; Cost: approximately 2,250 HNL);
10. Register for sales tax and obtain an authorization for the company books (Time: 7 days; Cost: nominal fee) \* Step can be handled simultaneously with step 8;

11. Register at the Social Security Institute (Time: 3 days; Cost: No charge) \* Step can be handled simultaneously with step 8;
12. Register at the National Vocational Training Institute (Time: 1 day; Cost: No charge) \* Step can be handled simultaneously with step 8;
13. Register with the Social Housing Fund (Time: 1 day; Cost: No charge) \* Step can be handled simultaneously with step 8;

Successfully bidding for government contracts remains a complicated process for all firms due to the lack of transparency and bureaucratic delays. The government has tried to improve this through the development of Honducompras ([www.honducompras.hn](http://www.honducompras.hn)) which is a resource for companies interested in government procurement containing information about contract bidding and purchasing.

Visas are required for investors wishing to visit or stay temporarily in Honduras. These can be applied for in Washington D.C. or in Honduras and must be accompanied by the applicant's complete name, nationality, purpose of visit, valid passport and bank references. These visas can be issued for one to three months and are extendable up to six or twelve months depending on the type of visa. An application for residency takes between three and four months to be completed, requires increased documentation and needs to be renewed every year. Work permits require the applicant to obtain a local residence and apply with the Ministry of Labor detailing names, titles and employment contracts to be filled by foreign worker.

### EXPORTS AND IMPORTS

Honduras is currently ranked as the 50<sup>th</sup> largest trading partner with the U.S. with total trade equaling \$8.3 billion USD in 2007, a 13% increase from the previous year. Over \$3.8 billion USD worth of trade was conducted with the State of Florida, making them the 10<sup>th</sup> top trading partner with the state. Nearly 100% of this trade was conducted with South Florida, making the District of Miami the number one trading district with Honduras in the U.S.

*Exports* amounted to \$5.594 billion in 2007. Major trade partners included the U.S. (70.5%), Guatemala (3.5%) and El Salvador (3.4%) and primarily traded coffee, shrimp, bananas, gold, palm oil, fruit, lobster and lumber. Miami received \$1.89 billion USD worth of products from Honduras in 2007 with the following items ranking in the top five: Sweaters and pullovers, knitted or crocheted (\$466M), T-shirts and tops, knitted or crocheted (\$342M), women's undergarments (\$119M), insulated wires and cables (\$101M) and pantyhose and socks (\$71M). Imports showed a sharp decline of 16% due to a fall in demand for clothing and coffee products.

*Imports* totaled \$8.556 billion for 2007 consisting primarily of trade with the U.S. (53%), Guatemala (7%), El Salvador (4.5%), Costa Rica (4.1%) and Mexico (4.1%). Most of the trade included the following products: Machinery and transport equipment, industrial raw materials, chemical products, fuels and foodstuffs. Miami exported over \$1.93 billion USD worth of products to Honduras in 2007. The top five exports were: Cotton (\$311M), miscellaneous knitted or crocheted fabric (\$183M), cellular and landline phones (\$64M), knit or crocheted fabric with elastic yarn (\$60M) and t-shirts, knitted or crocheted (\$53M).

### FOREIGN DIRECT INVESTMENT

The Central Bank of Honduras estimated the inflow of Foreign Direct Investment (FDI) reached \$814.9 million USD in 2007, increasing from \$674.1 million USD the previous year. Honduras remains relatively open to foreign investment with the exception of the government-owned enterprises in ports, electricity, highways, postal system and international telecommunications. Despite a relatively open economy, foreign investors still may encounter delays in environmental permitting. Targeted sectors for U.S. investment include: Agribusiness, tourism, light manufacturing, services and textiles. Outbound investment was estimated to have reached \$22 million USD in 2006.

### RECOMMENDATION

A trade mission to Guatemala would not be recommended at this time based on the political and economic difficulties currently facing the market. Clearly, Honduras will be significantly affected by the U.S. slowdown coupled with the political changes currently underway in the country. Further evaluation of the Honduran market after the elections in 2009 would be prudent. If a trade mission is conducted to Honduras, partnership opportunities potentially exist between the following organizations:

- The Greater Miami Chamber of Commerce and the Honduran Federation of Chambers of Commerce;
- The International Trade Consortium and the Foundation for Investment and Development of Exports (FIDE);
- Miami Port Authority and the Honduras National Port Authority;
- The Miami International Airport and the International airports of Toncontín, Ramón Villeda Morales, Golosón and Juan Manuel Gálvez.

The following industries have been identified to be growing in Guatemala and may present opportunities for the following local business:<sup>1</sup>

- Transport Equipment: Streicher Mobile Fueling in Fort Lauderdale ([http://www.mobilefueling.com/about\\_company.htm](http://www.mobilefueling.com/about_company.htm));
- Chemical Products: Fassi Chemical in Sunrise ([http://www.thefassigroup.com/index\\_chemical.html](http://www.thefassigroup.com/index_chemical.html));
- Fuels: World Fuel Services Corporation in Miami (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang=>);
- Foodstuffs: Northwestern Meat Inc. in Miami (<http://www.numeat.com/>), Quirch Foods in Miami (<http://www.quirchfoods.com/>), Trujillo & Sons (<http://www.trujilloandsons.com/home.htm>) and Basic Food International in Fort Lauderdale ([www.basicfood.com](http://www.basicfood.com));

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<sup>1</sup> These South Florida businesses were identified in the 2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Honduras or one of the top five products imported into the country.

- Textiles: Claire's Stores in Pembroke Pines (<http://www.clairestores.com/phoenix.zhtml?c=68915&p=irol-IRHome>) and Perry Ellis in Miami ([www.perry.com](http://www.perry.com)).

If investment is desired in Honduras, it would be recommended to enter through exporting to minimize the risk. While Honduras continues to be an open market for investment, mitigating the risk of a slowing economy is essential. After the elections, an assessment of regulations should be carried out to determine future opportunities, specifically public-private partnerships in infrastructure development.

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*Sources:* The Beacon Council, Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Foundation for Investment and Development of Exports (FIDE), South Florida Business Journal “Book of Lists”, STAT USA, U.S. Commercial Service, U.S. Department of Commerce, U.S. State Department, and the World Bank.