



## Update May 2006

### Business Opportunities

#### **Argentina**

**Industry:** Medical, Agriculture, and Cosmetic

One of the newest trends in health care is natural medicine and plant therapy. The return of natural products and the focus on staying healthy is considered to be in style in Buenos Aires. Body image is very important to the Argentine culture and it is projected that the market for natural products will continue to increase. The natural food and medication trend is not only circulating in the medical community, but in cooking and cosmetics as well. There have been numerous articles published lately in Argentine magazines on the importance of natural antioxidants, including articles on ginkgo biloba, plant therapy and natural remedies.

In Argentina, 35 percent of the population consumes medicinal plants. In the last few years, the consumption has increased remarkably with the arrival of these products from abroad. Argentine imports of Medicinal plants (HS 1211) reached a total of US\$5,520,107.17 in 2005, US\$5,999,658.10 in 2004 and US\$4,806,771.19 in 2003.

For more information, click [here](#).

#### **Brazil**

**Industry:** Hydro Power Plants

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year.

We believe that the Brazilian market for hydroelectric equipment and services represents an excellent

opportunity for US companies to do business with Brazil.

Brazil's total generation capacity in 2005 was 93.2 GW/h. The majority of its capacity is generated by hydroelectric plants, which frequently have a consortium of owners.

Currently, there are 596 hydroelectric power plants operating in Brazil, accounting for 70 GW/h, the equivalent of 76% of the country's total energy output. Plans are in place for the construction of another 72 new hydroelectric power plants that will add approximately 29 GW/h to Brazil's electricity grid.

The Brazilian energy market has grown yearly by an average of 4.5% and overall production is expected to reach the 100 GW/h mark by 2007. The federal government foresees investments of US\$2.5 to US\$3 billion each year, over the next few years, in order to expand the country's energy matrix in order to meet increasing demand.

The best business opportunities in the Brazilian energy market are both new generation projects and also the need for new transmission lines. Both the private and public sector will implement these projects. Other smaller opportunities exist such as a program of universal access that seeks to provide electricity to isolated communities particularly in Brazil's Northern Region.

For more information, click [here](#).

#### **Canada**

**Industry:** Household Furniture

The Canadian household furniture market grew by 15% in 2004 and at a slightly slower pace in 2005. The United States has traditionally dominated the Canadian import market for household furniture and although Canada imports household furniture from other

countries, the United States is a dominant supplier of higher quality household furniture in Canada.

The Canadian import market for household furniture grew by a substantial 19% in 2004 from the previous year, with total imports valued at US\$1.4 billion. In 2004, for the first time ever, another country, other than the United States, became the number one source for Canadian imports of household furniture.

There are no significant trade barriers impeding exports of U.S. household furniture to Canada. Under the North American Free Trade Agreement (NAFTA), tariffs on all finished U.S. household furniture imported into Canada were eliminated as of January 1, 1993.

Demand for household furniture in Canada remains high, despite the recent cooling in the housing market. The effect of a slower residential construction market, coupled with inflation concerns, slowed retail sales of household furniture in 2005 but were nonetheless sustained by the repair or renovation markets which surpassed residential construction starts in 2005. This, plus a strong Canadian dollar, which makes U.S. exports of household furniture to Canada more affordable, will continue to provide export opportunities for U.S. manufacturers interested in exporting to Canada in 2006 and 2007.

For more information, click [here](#).

## Chile

**Industry:** Educational and Medical/Pharmaceutical services and supplies

ChileCompra, established in 2003, has boosted the opportunities for U.S. exporters to sell to the Chilean government. As the most advanced online government procurement site in Latin America, it has opened the Chilean public purchasing market to free competition, increasing market access for new vendors while saving Chile an estimated \$70 million in 2004.

By the first half of 2005, over 130,000 vendors had registered with ChileCompra (a 400% increase over 2004.) 30% of these vendors have successfully closed a deal with the Chilean public sector, 40% of which were small- and medium-sized enterprises (SMEs). While opportunities for government sales have increased overall, those in the education and healthcare sectors should see the greatest benefits.

The demand for pharmaceuticals and dental products is already high, and the new administration plans to direct more government investment toward improving public schools and medical facilities. \$3.4 million will be spent on public health reform this year, 11.2% more

than in 2005. The new administration plans to increase universal health coverage from the 25 diseases currently covered to 40 in 2006 and to 56 in 2007 (*Latin Trade*, January 2006.) Close to \$672 million will be put toward the *Complete School Day Initiative*, which will require future expenditures surpassing \$290 million. The government also plans to pay 100% of the first year of college for students who could not otherwise afford it.

For more information, click [here](#).

## Jamaica

**Industry:** Hotel and Restaurant Equipment

Tourism has been Jamaica's most important economic sector for a number of years. Earnings from the industry contribute significantly to GDP. Over the past four years the industry has suffered several challenges. Despite these, there has been growth in the sector. An obvious signal of the confidence in the sector is the increase in the stock of hotels and to some extent restaurants. It is important that these have the appropriate equipment to meet customers' expectations. Jamaica's economy is heavily dependent on imports; the United States account for approximately 40 percent of total trade.

The tourism industry has been buoyant for the past four years although this period has experienced a number of setbacks. These include: the September 11, 2001 terrorists attack on the United States, which had a direct impact on visitor arrivals; the wrath of hurricane Ivan which lashed the island in September 2004; and two minor hurricanes (Dennis and Emily) in the summer of 2005 which mainly affected the tourist areas (north and north-west coasts) of the island. Immediately after the terrorist attacks in the United States, global travel declined significantly. For the Caribbean, which relies heavily on tourism, prospects were dismal. In order to keep the sector alive, packages were significantly discounted and locals were enticed to spend time in resorts. These factors positively impacted arrivals and earnings during 2003 and into 2004.

For more information, click [here](#).

## Mexico

**Industry:** Pleasure Boats Accessories and Equipment

Coastal cities such as Cabo San Lucas and San Jose del Cabo in Baja California Sur have witnessed continued annual growth of approximately 10 percent in recreational boating industry, without any signs of slowing. The flow of investment to this region for the

construction of high-end hotels and resorts, and high-end residences with waterfront views and marinas have encouraged property developers to invest in yachting facilities, marinas and yacht clubs to meet the demand of successful businessmen and visitors from abroad who can afford yachts. This segment of the market consists mainly of accessories, equipment and parts used for the maintenance and repair of pleasure boats and yachts.

There are very few boat builders in the region so the opportunities lie mostly with shipyards and marinas. The region has 37 registered shipyards, which are largely family-owned. Over 50 marinas in the aforementioned areas belong to large hotels and resorts or are part of a city's port facilities.

It is difficult to obtain an accurate estimate of the size of the market for pleasure boat/yacht accessories, since many of these products and/or equipment are also utilized in the commercial fishing industry. Nevertheless, the market is estimated to be at least USD 2.3 billion dollars in 2005. The boats brought by foreigners into Mexico for their use there are registered as temporary imports by Mexican Customs and thus are not reflected in these import statistics.

Considering Northwest Mexico's tourism industry, its prospects for the next 5-10 years and plans for future marina development, the following pleasure boat accessories and equipment are expected to be best prospects for the coming years: supplies required for repairing vessels, radar apparatus, navigational instruments and appliances, propellers and blades, marine engines of 5-50 hp, 45-80 hp, and 120-750 hp, fiberglass, upholstery, sandblasting products, trawling equipment and others.

For more information, click [here](#).

## **NAFTA Essentials for Manufacturers**

**By Allen Patch, Commercial Service, U.S. Department of Commerce, Iowa Export Assistance Center**

In January 1994, the United States, Canada, and Mexico launched the North American Free Trade Agreement or NAFTA, thus forming the world's largest free trade area. The agreement has brought economic growth to all three areas; in the U.S., trade with Mexico and Canada, for example, has increased 200 percent. New free trade agreements have added Australia, the Central American Free Trade Agreement plus Dominican Republic (CAFTA-DR), Chile, Israel, Jordan, Morocco, the North American Free Trade

Agreement (Canada, USA, Mexico), and Singapore. In total, seven free trade agreements are currently in implementation with the United States. The Office of the U.S. Trade Representative is moving forward with the negotiation of new free trade agreements that will create expanded opportunities for U.S. manufacturers. At the time that this article was being written, a full 18 regional and bilateral free trade agreements appeared on the Web site of the Office of the U.S. Trade Representative ([www.ustr.gov](http://www.ustr.gov)).

What is behind the expansion of free trade agreements (FTAs)? Stalled over debate on agriculture, the World Trade Organization (WTO), currently in the DOHA round of negotiations, has been unable to make hoped for progress in opening markets to manufactured goods. Free trade agreements have emerged as an alternate to the WTO. They achieve significant improvements in market access through tariff reductions and eventual phase out of tariffs. Building on the success of NAFTA, expanded FTAs provide manufacturers with market growth opportunities. The caveat is that in order to exploit these opportunities, companies must build their expertise in understanding each agreement, particularly the details of the product origin requirements. If FTAs are here to stay, it is worthwhile to understand some of the details and common aspects of each of them.

What is a free trade agreement? As a treaty between two or more countries, an FTA allows for a reduction and eventual elimination of tariffs on goods produced in a partner country and shipped to another partner. An FTA treaty such as NAFTA provides very specific terms to describe how goods may qualify for tariff-free entry. The origin criterion is the specific rule under which goods may be declared as qualifying for the privilege of tariff-free status. Just because a certain product is produced in the United States does not automatically mean that it meets the rules of origin under NAFTA.

NAFTA provides product-specific rules of origin. Shippers can claim a NAFTA preference for their goods based on their own determination but should be prepared to justify their claim if it is challenged. The following six steps provide a general outline of the administrative process that companies go through to properly qualify their goods for shipment to Canada or Mexico with tariff-free treatment.

1. Classify the product correctly according to the Harmonized Tariff System.
2. Determine the most favored nation (MFN) or the usual duty rate applied across the board. If the tariff is already zero, no analysis or documentation is required or needed. The difference between the MFN tariff and

- the preferential FTA tariff is the net savings from the free trade agreement.
3. Identify the specific rule of origin that applies to the product. Virtually all manufactured goods will qualify under a specific rule.
  4. Use a bill of material showing a cost breakdown to determine whether or not the product satisfies the rule for NAFTA origination.
  5. Prepare a NAFTA certificate of origin showing preference criterion "b" as the basis of your claim. The "b" indicates that you are basing the claim on a product-specific rule.
  6. Proceed with the shipment. Retain all records for at least five years in case of a NAFTA compliance audit.

The above steps apply to NAFTA and all product specific free trade agreements. NAFTA, Chile, Singapore, Australia, and CAFTA-DR are all based on product-specific determination.

Our FTAs with Israel, Jordan, Morocco, and Bahrain are based on "substantial transformation." Substantial transformation FTAs simply specify a minimum percentage of the cost or value of the good, for example 35 percent, which must come from the United States. The U.S./Israel FTA states that the product must be "substantially transformed into a new and different article of Commerce" in order to qualify for tariff-free entry.

While NAFTA is here to stay, additional FTAs are key to the U.S. strategy to gain access to world markets. All free trade agreements require some form of documentation of the origin of goods. NAFTA compliance is a professional function that should be performed and documented well before the date of shipment.

The U.S. Department of Commerce maintains a detailed Web site ([www.export.gov/fta](http://www.export.gov/fta)) on all free trade agreements. (see *Free Trade Agreements for Americans, The Mechanics of U.S. Free Trade Agreements in Goods*, by Frank Reynolds, 2004 International Projects Inc., Toledo, Ohio).

**For information on NAFTA, please contact the U.S. Trade Information Center at 1-800-USA-TRAD or at <http://ita.doc.gov/td/tic/>**

## **Trade Americas Spotlight**

On Thursday, March 9, 2006 the Oakland Export Assistance Center (EAC) conducted a "Virtual" Wine Tasting with the Foreign Agricultural Service (FAS) and Foreign Commercial Service in San Salvador, El

Salvador. This videoconference business facilitation service was requested by San Francisco Bay Area wineries Wente Vineyards and Hayes Ranch. This is the first of a series of virtual video wine tastings the Oakland Export EAC will be organizing to promote California wines as part of a Central America Free Trade Agreement (CAFTA-DR) market opportunities effort. California wines will now have a fighting chance in Central America due to lowering tariff rates vis a vis competitors in Chile and Argentina. Special thanks to Mary Boscia, Senior Commercial Office in El Salvador, our newest post in Central America, and Trade Specialist, Rod Hirsch in our Oakland EAC for arranging this innovative approach to promoting U.S. wineries.



## **Trade Events**

### **Argentina**

**Industry:** Hotels, Restaurants, and Tourism

Hotelga, now in its 4<sup>th</sup> year, is an international trade show for hotel equipment, products and services. Tourism in Argentina is growing aggressively and there are excellent opportunities for US companies in this sector.

Many hotels and restaurants are undergoing large refurbishing projects to maintain their status and host their clients. This also entails replacing equipment. The outlook is promising due to ongoing developments in the local tourism infrastructure, especially in hotels and restaurants.

It will be held in Buenos Aires, September 4-7, 2006.

This trade show is an excellent opportunity for U.S. suppliers to identify new businesses, exchange information, interact with buyers and renew business relationships.

For more information, click [here](#).

## **Brazil**

**Industry:** Surf equipment and apparel

The Surf and Beach Show is the largest all-encompassing trade show in Latin America that presents the main launches and trends in surf wear, street wear, and beachwear for the summer of 2006. Over 38,000 retailers from all over the world are expected to visit. The Commercial Service of São Paulo will offer U.S. exhibitors an opportunity to exhibit within the U.S. Pavilion at the Surf Beach Show 2006 with added value services

This event will be held in São Paulo, July 4-7, 2006

For more information, click [here](#).

## **Canada**

**Industry:** Multiple Industries

EquiFair 2006 is Canada's largest trade fair dedicated entirely to the horse. This year will be the U.S. Commercial Service's 20th year at this show with a U.S. Pavilion. Participants will have access to a fully dressed 10x10 booth, logistical support (we employ a duty free zone for our participants), matchmaking breakfast, market assessment, targeted market research, and CS developed contact directories.

Industries encouraged to attend include agricultural products and services, artwork, books/periodicals, pet foods and supplies, sporting goods, trucks, trailers, and buses, veterinary medicine and supplies

This event will be held in Calgary, Alberta, September 6-10

For more information, click [here](#).

## **Mexico**

**Industry:** Multiple Industries

The 18th Annual EXPO CIHAC is the most prestigious event in Mexico and Latin America for the building, construction and housing industry. Organized by Centro Impulsor de la Construcción y la Habitación, Expo CIHAC 2006 will take place from October 17- 21, 2006 in Mexico City, Mexico.

The event comprises of the following sectors, among many others: basic building materials, scaffolding, hand and power tools, windows, doors, hardware and locks, furniture, insulates, paints, electrical conductors,

security, publications, financial services and real estate.

The sector is expected to expand to US\$8 billion by the end of 2005. Exports to Mexico from the U.S. represent US\$2 billion, over 70 percent of the total import market.

U.S. exhibitors will receive on-site support and counsel from U.S. Commercial Service Mexico, valuable market research, be located at the USA pavilion area, access to private meeting and conference space, discounted Embassy rate at several hotels, arrangements for transportation upon request.

For more information, click [here](#).

## **Useful Websites**

### **[The World Clock - Time Zones](#)**

The World Clock is a quick resource for knowing the current day and time of any country and time difference between you and anywhere in the world.

### **[US Customs and Border Patrol Office](#)**

The CBP Office provides information on exporting guidelines and travel tips but also has the latest news on US border issues, travel advisories and a current list of denied, blocked or debarred persons.

### **[International Monetary Fund](#)**

The IMF is an organization of 184 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty. Their website is an excellent tool to see how countries are faring economically and read about forecasts in particular markets.

### **[Trade Americas](#)**

The Trade Americas site provides information on the existing and proposed free trade agreements throughout the region, market research, best prospects in the region, trade event lists, industry-specific information, business service providers, useful links and key contacts. It is the home of the *Trade Americas Update*.

