



**BG Consulting**  
*Linking two worlds*

NEWSLETTER

13

Fourth Quarter 2006

# Chinatown meets Oktoberfest and El Mercado International Retail Opportunities

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## COVER STORY—WorldStreet

### OPPORTUNITY FOR LATIN AMERICAN RETAILERS TO SELL DIRECTLY TO AMERICAN CONSUMERS WITH ALL THE BENEFITS OF OWNERSHIP



Traditional American shopping centers have almost uniform characteristics. Big chain stores (anchors) control who can rent space and sell their products in the center. Consumers have similar shopping options in all the centers, with just a few variations in the small stores surrounding the anchors. The same is true of the fast food options in the food courts. From the financial point of view, shopping centers only offer space for rent, under conditions that are hard to meet for non US companies, and even for smaller non-national brand companies. The same players are invited to participate in each mall, virtually eliminating the possibility of foreign retailers to enjoy the high-volume foot traffic of the traditional US mall.

In this scenario the opportunities for foreign retailers to sell directly to American consumers are nil, until now.

WorldStreet ([www.worldstreet.com](http://www.worldstreet.com)) will be the first-of-its-kind commercial marketplace in America with unique traits: (1) No big chain department stores, but a marketplace that resembles a town fair where products from all over the world are offered. Chinatown meets Oktoberfest and El Mercado and more! (2) Retail showroom and commercial space will be available for **direct ownership** by domestic and international retailers, suppliers, exporters, manufacturers and investors and (3) financing will be provided directly by WorldStreet developer, with a minimal review process. Financing will be made available without a need for US citizenship or visa, and without US banking connections.

To good to be true? No. WorldStreet will be an international complex: a unique shopping venue providing the consumer with an international shopping experience, international entertainment and international culinary experiences. It is a win-win situation for consumers, retailers and wholesaler/exporters. Owners benefit by having the opportunity to sell their products directly to American consumers, while simultaneously selling those same products to American and international retail buyers, excluding the middleman. The consumer will be able to buy unique, high quality products without paying the "plus-brand-price".

The WorldStreet project will be rolled out at many favorable locations across North America. The first WorldStreet will be located in the epicenter of the United States' east coast commercial corridor, with direct access from the high-traffic I-95 highway. Additionally, the location is situated in the desirable and affluent Washington DC metro area and will attract millions of residents and travelers each year.

WorldStreet will be in a tourism attraction area: Celebrate Virginia ([www.celebratevirginia.com](http://www.celebratevirginia.com)), a 2,400 acre retail resort which already contains a golf course (<http://www.golfcannonridge.com>), corporate offices, an expo center and hotels. By 2008, it will feature the National Slavery Museum (<http://www.usnationalslaverymuseum.org/home.asp>), an indoor water park, a concert hall, outdoor ecotourism activities and more hotels and residential neighborhoods. In other words, it will be located in a captive market that guarantees hundreds of thousands of visitors per year.

Inside WorldStreet the entertainment offering for all the entire family will captivate customers with a variety of entertaining events leading to a much longer shopping experience than in regular malls across the US. For example, there will be the cooking theater that will host famous chefs from many countries, and an amphitheater with shows for all ages. Not to mention the international restaurants and the Epicurean Market that WorldStreet offers instead of the Food Courts of regular shopping centers.

With its European style boutiques, buyers' showrooms, warehouse space, and support services, plus the themed pavilions from all over the world, WorldStreet will provide an exclusive "multi-channel" marketing and selling platform. A complete channel marketing program supporting the retail stores and showrooms of WorldStreet will include E-Commerce and T-Commerce, *WorldStreet TV!* (a proprietary model), showcasing and selling products to millions of consumers worldwide through broadcast, internet and satellite programming all day, every day.

## NEWS

### TRADE

#### PANAMA CANAL EXPANSION

On October 22<sup>nd</sup>, Panamanians overwhelmingly approved the Panama Canal expansion. After 92 years of serving world wide commerce the Canal will have a major expansion. The project will create a new lane of traffic along the Panama Canal through the construction of new set of locks, which will double capacity and allow for more traffic and wider ships. Expansion is estimated to cost \$5.25 billion and will be paid for by Canal users through a system of gradual toll increases.



#### Colombia Expanding Ports

The Panama Canal is not the only one that needs to expand. Colombia need several millions of dollars to expand its ports. Colombian authorities are renegotiating port concessions in order to include the construction of new projects. Several multinational companies are studying the possibility of entering into this market.

The Chinese multination Hutchison Whampoa is interested in participating, as well as the Arabian Dubai Ports.

#### DHL Grows in Latin America

(from the [Latin Business Chronicle 11/15/06](#))

DHL Express is delivering significant growth in Latin America, helped by increased business in Brazil, Mexico and Argentina as well as Chile and Colombia. Last year, DHL revenue grew by approximately 20 percent in Latin America. Next year, DHL expects to reach further double-digit growth for its business volumes. The increase is due to a combination of factors, including economic growth in the region, as well as the rising need for businesses to have reliable transportation and express delivery services within the competitive framework of globalization, Crook says. In terms of specific markets, DHL expects to benefit from the expected continued growth in Mexico, Argentina and Chile.

### ENERGY

#### LIQUEFIED NATURAL GAS MARKET EXPANDS IN PERU

The US companies (Applied LNG Technologies, Inversiones Wineca and Energy Partners) are fostering a project of liquefied natural gas with more than US\$ 170 million investments. For that purpose, a local company called Irradia has been created. Its general manager, Eduardo Checa, explains that the idea is to transport natural gas (liquefied) to those zones where Camisea pipelines do not reach. This project will provide fuels to industries or urban zones using cheaper fuels. This is one of the greater projects of this type, and according to Checa, it is one of the first one in South American. Irradia has determined Chilca and Lurin districts as the strategic zones for its plant and is planning the acquisition of land. They have already signed intention letters.

#### BRAZIL NO LONGER DEPENDENT ON FOREIGN OIL

Ethanol fuel: the technology miracle from Brazil: Ethyl alcohol is obtained by fermenting sugar cane and has combustion qualities similar to gasoline. Only light adaptations have to be made to gasoline engines to allow them to run on ethanol. However, ethanol fuel has 30% less energy than gasoline and the mileage per liter rating is correspondingly lower.

In 1973 the Brazilian government started supporting the production of ethanol for use as fuel and by the 1980's most vehicles sold ran on ethanol. In 2003 Volkswagen started manufacturing vehicles using "total-flex" technology, which allowed them to run on any combination of ethanol and gasoline. Using an intelligent combustion control system, the engine is designed to recognize the type of fuel being used and modify both the quantity and timing of the fuel injection accordingly.

Three decades of support for the use of ethanol as a fuel and the discover of new oil and gas deposits enabled Brazil to become a net exporter of energy in 2006. In May 2006 Brazil was officially acknowledged as being no longer dependent on foreign oil shipments.

### TELECOM

#### Cell Phone Manufacturing Plant in Venezuela

The Venezuelan state-run company CVG Telecom, and Chinese Huawei are cooperating on establishing a cell phone manufacturing plant. The factory is expected to be producing cell phones by the end of 2007. Potential sites for the facility include the duty-free zones of Paraguaná and Guayana

## NEWS

### TECHNOLOGY

#### MITSUBISHI PLANS BIGGER PRESENCE IN CHILE

Mitsubishi, a long time presence in Chile, is contemplating making Chile its platform from which to develop markets in other Latin American countries. It is currently using Chile as a platform from which to launch new controlled-atmosphere technology for container. This technology is useful for exporting fresh fruits and vegetables.

#### HEWLETT PACKARD EXPECTS TO HIRE 2000 NEW EMPLOYEES IN COSTA RICA.

Hewlett Packard announced that it expects to hire up to 2,000 new employees as part of the company's expansion of operations in Costa Rica. HP, which began operating in Costa Rica in 2003 with only 185 employees, has inaugurated a new building located in Ultrapark Business Center, in La Aurora, Heredia. The new building is an extension of the global services center that the firm has in the Forum Business Park in Santa Ana. The worldwide operation of HP includes eight global service center, two of which are located in Latin America, one in Mexico and the other, "the largest", is in Costa Rica.

### FINANCE

#### AMBA RESEARCH EXPANDS INTO COSTA RICA

The international corporation, Amba Research, has initiated operations in Costa Rica. The company plans to increase the number of employees from 20 analysts to 130 by the end of 2007. Their analysts will be working for the largest banks in the world and for a range of investment funds, concentrating on financial outsourcing investigations, model and analysis.

Costa Rica was chosen for its proximity to the main financial of the United States (New York, Chicago, Los Angeles), as well as Costa Rica's political, social and economic stability. Other factors were competitive **cost** and the available pool of financial professionals. Costa Rica is the first Latin American headquarters for the company which has operations in Sri Lanka, India, Singapore, United States and England.

### FINANCE—continued

#### Cap Cana: Largest Dominican Corporate Bond Issue (from the [Latin Business Chronicle 11/15/06](#))

The \$250 million bond issue comes as the Dominican Republic sees favorable macro economic trends and appears closer to CAFTA implementation. Cap Cana, a major resort and real estate project in the Dominican Republic, has issued \$250 million in 7-year bonds at a rate of 9.62 percent. This is the largest international corporate bond issue in the history of the Dominican Republic and the first time that a Dominican company is financed in the international market at a rate below 10.87 percent. The bond issue will enable Cap Cana to pay in full its debt to the national banks (\$62.3 million) while the remaining net funds will be used to speed up the project's development. The IMF recently revised upwards its estimate for Dominican GDP growth this year, from 5.5 percent to 9.0 percent, which will be best performance in Latin America .



### RETIREMENT

#### PANAMA— RETIREMENT DESTINATION OF CHOICE

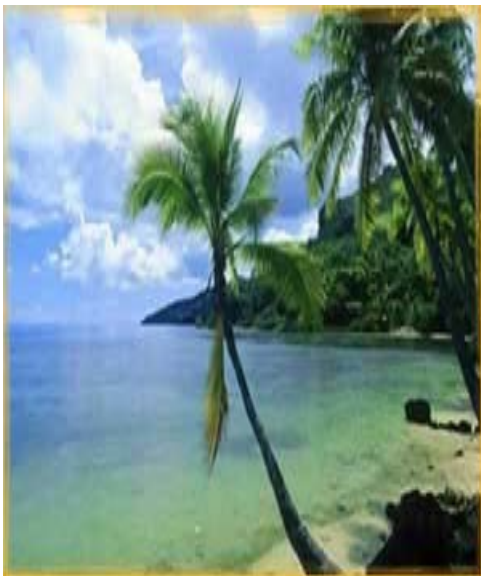
Panama, with its low cost of living, year-round tropical weather, and the choice of highlands, beaches or cosmopolitan cities to live, has become a retirement destination of choice. The "Pensionado Program" allows foreigners to obtain legal residency if they certain pension income requirements. The benefits are many - no taxes on foreign earned income, tax exemptions on vehicles and household goods and the right to own property. Health services are excellent with state of the art medical facilities.

Contact [retire@embassyofpanama.org](mailto:retire@embassyofpanama.org) for more information and details about other types of pensioner's visas.



## NEWS

### TOURISM



### TOURISM AND INVESTMENTS IN PANAMA

Panama's advantageous geographic location, political and economic stability, natural resources and secure environment, have made it a "hot spot" for tourism and investment.

For investors Panamanian Law No. 8 provides outstanding tax benefits and incentives for investing in tourism-related businesses. With a minimum investment of \$300, 000 (over the initial cost of land) in any of the designated tourism zones, an investor can benefit from:

- \* 20 year exemption from real estate taxes for all enterprise assets used in tourism;
- \* 15 year exemption from income taxes on the product of the enterprise;
- \* 20 year exemption from any import taxes due on materials, furniture, equipment and vehicles;
- \* 20 year exemption from any tax levied for the use of airport and piers;
- \* 20 year exemption from income taxes resulting from interest accrued by the creditors in transactions intended for investment in tourism.

## BG NEWS

### CONFERENCES:

December 12, 2006      Lunch Program: 12:30—2:00 PM      **"Corruption and Business in Latin America"**

Presented by the Inter-American Legal Affairs Committee of the DC Bar.

Location: Baker & McKenzie, 815 Connecticut Ave, NW Washington DC 20006

Moderator Richard N. Dean and speakers Stephen Zimmermann, Alexandra Wrage and Alexander W. Sierck will discuss the problems that arise from the combination of corruption and business in Latin America. Contact the DC Bar, International Law Section for registration information (202-626-3463).

November 1, 2006      The Inter-American Legal Affairs Committee of the DC Bar sponsored a luncheon/roundtable discussion with the Ambassadors of Costa Rica, El Salvador and Guatemala. Omar Garcia-Bolivar was the moderator. This very well attended program covered the DR\_CAFTA program and how it will benefit American businesses.

### PUBLICATIONS:

***CAFTA-DR Tools for Importers and Exporters*** by Maria Gabriella Sosa, Vice President of BG Consulting, Inc.

***Informal economy: is it a problem, a solution or both? The perspective of the information business***

by Omar Garcia-Bolivar, President of BG Consulting, Inc.

### WHATS NEW

- BG Consulting will be involved in the USAID Paraguay Project Institutional Strengthening To Foster And Enforce The Formalization Of Economic Activities In Paraguay, as part of Paraguay's Country Plan for the Threshold Program of the Millennium Challenge Corporation under the leadership of Chemonics.
- Omar Garcia-Bolivar will initiate a consulting work in the Kingdom of Lesotho in Africa to review and design the legislation pertaining doing business.
- BG Consulting will be involved in an USAID project in El Salvador pertaining customs, competition and commercial law reforms as a main subcontractor. The project is led by Booz Allen and Hamilton and will last for 3 years.
- In 2006 BG Consulting has arranged project financing for Latin American companies through multilateral and bilateral financing organizations.



*The insight and intelligence you require  
Understand and manage the risks  
Act upon a unique opportunity  
You will never feel Foreign*

**Management Consulting & Partner Selection:** We achieve our client's goals through

#### Define a strategy

- ⇒ **General assessment:** This service quantifies and ranks those markets from which a firm will obtain the greatest return from its investment and it is specifically important for companies with a limited budget that wish to invest internationally with limited risks.
- ⇒ **MMI analysis:** Aims to provide companies with an unprecedented insight into specific countries, regions and industries. Research might also be directed towards regional trade acts and their influence in a particular industry or business.

#### Establish a strategy

- ⇒ **Partnerships (Manufacturing/suppliers/distribution):** Companies looking for distributors, suppliers, manufacturing facilities, representatives and partners will benefit from this comprehensive tailored service that provides the client with a ranking of potential partners in a specific region or market.
- ⇒ **Tradease™:** Companies engaged in international trade practices – either by importing or exporting products – will benefit from this tailored service, offering shipping options: finding the right combination of cost, quality and port of arrival and customs clearance: quick and successful introduction of the merchandise in the target country.
- ⇒ **Investment/business road map toolkit:** Companies who wish to attempt their internationalization on their own might consider obtaining a detailed report describing how to set up a business in a specific market of Latin America or the Caribbean. The tailored report will identify all of the activities together with their respective costs and timings and facilitate a short list of transparent, legal and effective, organizations and/or institutions and their contacts necessary to set up operations in a specific country.

#### Launch a strategy

- ⇒ **"Local" coaching:** Companies with an intermittent need to resolve issues pertaining to international business in Latin America, trade issues, investment solutions or negotiation support, may hire this service to obtain answers to their questions. BG Consulting commits to resolving a specific concern in a timely manner surpassing the client's expectations.
- ⇒ **Customized negotiation toolkit:** Prepare for an international negotiation in Latin America. Our proprietary methodology will provide you with our negotiation matrix allowing you to know where you may be flexible and where you have to stand firm. To provide a more hands on service and language support we can also be present during the negotiations or even carry these out on a company's behalf.

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