

## **Doing Business in Central America**

Export opportunities to Central America have never looked better! For many years countries in Central America, such as Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua have imported U.S. made products and/or services despite high import tariffs. These countries, on the other hand, have been able to export their products to the United States duty-free due to the Caribbean Basin Initiative (CBI). The good news is that the playing field is about to be leveled.

The key to the improved opportunity is The Central America – Dominican Republic Free Trade Agreement or CAFTA-DR. It is a comprehensive reciprocal Trade Agreement between The United States, Costa Rica, The Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua the most important aspect of which is geared toward reducing tariffs for exports from the US. The main objective of CAFTA-DR is to reduce the high tariff rates of agricultural products which fluctuate between 35% (Honduras) and 60% (Nicaragua) to levels that will allow a freer flow of goods and services with the United States; but it will also affect other goods and services. In fact, U.S. Department of Commerce indicated, once the agreement goes into effect, more than 80% of U.S. exports to Central America and the Dominican Republic will be duty-free with the remaining tariffs to phase out in a period of 10 years. Moreover, key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic. As a result, the agreement will also improve the business and investment climate in the Central American region by creating more business transparency and attracting foreign direct investment (FDI) from the small, medium and large-size U.S. business.

What does it mean to manufactures and service providers in Missouri and Kansas?

Already, many Missouri and Kansas manufacturers and service providers have discovered a rich market open to US produced goods and services to the south of our borders. Based on statistics provided by the U.S. Department of Commerce, Missouri's export shipments of manufactured goods to Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua totaled \$56.7 million and \$20.2 million for Kansas in 2004. And that is with considerable tariffs in place. Imagine what will happen once those trade barriers have been removed. Things are looking good for American companies willing to explore international prospects.

Missouri and Kansas stand to gain substantially from CAFTA-DR. The CAFTA-DR agreement will increase opportunities for Missouri and Kansan manufacturers and service providers in markets throughout the Central American region, providing new market access and more revenues. Due to the proximity of the region, Midwestern companies will be able to get to the market quickly in contrast to European or Asian competitors. They will be able to react to market conditions more efficiently and as a result will protect and hold their stream of revenues and market share.

## US Hispanic Working Force

As these economic opportunities increase, the US has the human resources to meet the challenge. The US Hispanic population continues to grow (40 million currently according to the US Census Bureau) and will thus provide the workforce that has the language skills and cultural understanding to take advantage of increasingly open trade. Furthermore, this demographic has more and more high level skills to offer as greater numbers of second and third generation US Hispanics are attending and finishing college. In fact, US Hispanics are broadening their work participation from labor into more entry-level, management and professional positions. The latter will be a key factor for US companies involved in trade with Central America as US Hispanics involved in management will lead and manage the communication and trade between US firms and Central American companies. At every level, US companies are poised and ready to take advantage of the new trade situation.

CAFTA-DR will level the field for U.S. exporters. This agreement will position US exporters in a growing business region in which competition from Europe or Asia will have limited logistic resources to compete against American companies. Those companies in Missouri and Kansas that are already exporting have a leg up, but there are a tremendous number of opportunities for those willing to do a little investigation. Now is the time to act and enjoy the numerous possibilities for growth.

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