INTRODUCTION

I-1. Many studies have focused on trade and investment flows and patterns within the FEALAC region[1],[2],[3]. Several have also looked at similar features from a country perspective[4]. These studies certainly adumbrate the wider macro-issues affecting FEALAC. And yet what distinguishes FEALAC from other regional organizations is its trans-Pacific (East Asia – Latin America) dimension. What is largely missing in the literature is detailed insights into the dynamics of this trans-Pacific trade.

I-2. Assessments of the wider trade and investment arena need to be calibrated against the more direct business issues that companies face in successfully negotiating across the Pacific. An understanding of how business executives have addressed operating concerns and impediments in their attempts to bridge this trans-Pacific FEALAC divide is critical. An analysis of relevant macro issues completes the picture. In proposing broad policy prescriptions affecting the overall business environment, both the macro and micro perspectives are essential.

I-3. This study provides a business perspective on FEALAC trans-Pacific trade and investment issues. Between January and April 2002, thirty companies in four FEALAC-member countries (Australia and Japan in East Asia; Chile and Brazil in Latin America) were selected as case studies, on the basis of insights gained from an overview analysis of the macro-economic environment, which was initiated in July 2001.

I-4. The companies range from large multi-nationals to small start-ups. They trade and invest in products as diverse as iron ore and fruit juice. What they all have in common is a successful track-record in developing trans-Pacific trade and investment. Interviews were conducted with executives from all these companies. The interviews focused on how, when, and why the trans-Pacific dimensions of their respective businesses were initiated; the obstacles and impediments they encountered; how they overcame them; their plans for expanding their trans-Pacific business ventures; and their assessment of the future.

I-5. A further series of interviews were conducted with relevant government officials – particularly in foreign affairs and trade and industry - , academics, private consultants, and journalists. Interviews were conducted in the four target countries – Australia, Brazil, Chile and Japan. In addition, between July 2001 and May 2002, supplementary interviews were conducted in Singapore, Malaysia, Indonesia, China, and Thailand.

I-6. Section One of the report begins by highlighting business motivations for the initial decision to engage in trans-Pacific business ventures. Next, some common themes and experiences which companies have encountered during their trans-Pacific business expansions are discussed. Finally, factors likely to inhibit future trans-Pacific business expansion, as well as factors that may likely motivate further expansion, are outlined.

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[1] *Kuwayama, Mikio "Search for a New Partnership in Trade and Investment between Latin America and Asia Pacific", INTAL-ITD-STA Occasional Paper 12, November 2001.*

[2] *Alamos, Pilar et al (eds) America Latina y Asia-Pacifico: Oportunidades ante la Crisis, Coleccion Estudios Intenacionales, Santiago, Chile, 1998.*

[3] *UNESCAP, Interregional Cooperation in Trade and Investment Asia-Latin America, Studies in Trade and Investment 43, New York, 2000.*

[4] *Kim, Won-Ho. "Korea and Latin America, End of a Honeymoon?", Capitulos del SELA, No. 56. May-August, 1999.*

I-7. Section Two of the report places the narrative conclusions based on the company case studies into the larger picture of ongoing macro-economic trade and investment patterns, as well as ongoing bilateral and regional trade and investment between the countries of East Asia and Latin America.

I-8. Section Three of the report distills the analysis contained in Section Two into a list of policy recommendations for the consideration of FEALAC member states with an aim to further facilitate and promote trade and investment, particularly trans-Pacific trade between East Asia and Latin America.

I-9. The Appendix contains profiles of the companies that were interviewed during the course of the study.

SECTION ONE:
LESSONS FROM COMPANY EXPERIENCE

1.1 THE SOUTH-SOUTH DYNAMIC

1.1.1 Company interviews immediately highlighted one unique feature of FEALAC. FEALAC is perceived by business as a trans-Pacific, South-South forum. This distinguishes it from other trans-Pacific trade and investment forums, such as APEC, which includes the United States as a founder member, or purely bilateral trans-Pacific trade agreements, such as that concluded between Japan and Chile. The trans-Pacific nature of FEALAC also distinguishes it from the various initiatives which are limited to just one side of the Pacific – such as, for East Asia, Asean and Afta, and for Latin America, Mercosur, the Andean Pact, CACM (Central American Common Market), and CBTPA (Caribbean Basin Trade Parnership Act).

1.1.2 For businesses, this South-South dynamic translates into a perception on both sides of the Pacific that trans-Pacific trade and investment creates opportunities to access emerging markets. In this process, companies look for territories where their market segments are relatively underdeveloped, and therefore have a greater potential for rapid growth. The potential of emerging (trans-Pacific) markets is often contrasted with the less exciting potential of the mature markets of Europe and North America, which are viewed as difficult to enter, saturated, or with limited growth potential.

1.1.3 This assessment of Europe and North America is often based on direct experience. Many of the companies interviewed have indeed made their initial exporting forays into these mature markets. Whether successful or not, experience gives confidence, and emerging markets are seen increasingly as difficult but do-able, even for SMEs.

PADO S.A., BRAZIL
Founded in 1936, Pado S.A. currently leads the Brazilian padlock market with 50% of the market share, and retains about 30% of the domestic general lock market. The export market absorbs about 15% of production, which goes to hardware resellers and agents around the world. ***(See Appendix:A-15)***

1.1.3.1 Market expansion potential is the big draw. A large Latin American copper mining company finds the East Asian market attractive because the potential for expanding sales and investments is vast. In North America and Europe, copper consumption is 10 to 12 kg per capita, whereas in China it is less than 1 kg per capita, or Korea, where it is 5 kg per capita. Market size is also critical. It is forecast that within two years, China will overtake the USA to be the world's largest consumer market, and with it the opportunities for the copper market will be significant. The growth in environmental consciousness coupled with the need for low maintenance makes the growing markets in East Asia a fertile business proposition for this large copper producer.

1.1.3.2 The build, own, operate, (BOO) cineplex business, according to an executive we interviewed, has a similar expectation. "We look for potential sites in large cities, usually in newly planned malls, which have large catchment areas, and no competition. The Australian market is saturated, as are the North American markets. We need to look toward emerging markets to expand."

1.1.4 The growing affluence and sophistication of East Asian urban middle class is becoming a magnet for Latin American specialized commodity producers. Thinking organic is just beginning to be popularized in East Asia, and a leading Brazilian organic coffee producer expects to ride the anticipated wave of interest from East Asia's environment-conscious young professionals.

1.1.5 Following the logic espoused by these businesses the first important thing to understand is how businesses perceive this trans-Pacific geography. Japan has traditionally dominated the business map for most Latin American companies seeking entry into the East Asian market. They have sought first to establish a beachhead in the Japanese market, then work their way through the rest of Asia, often with the active assistance of the great Japanese trading houses

EMPRESAS CMPC, CHILE
Founded in 1920, Empresas CMPC is an integrated forestry industry conglomerate with 8,000 employees and some 50 subsidiaries. While most of CMPC's operations remain within Latin America, most of its products are exported overseas. Asia is one of the major destinations, especially Japan. (See Appendix: A-19)

1.1.5.1 The entry of one major Chilean corporation into Southeast Asia, for example, was facilitated by a Japanese sogososha (trading house). The Japanese trading house has continued to manage the corporation's local distributorship in the region. The relationship has been cemented further by the trading house acting as the stock manager and credit financing arm of the Chilean corporation for the relationships in the regional market. Thus, the Japanese trading houses that have had a long history of trading with Latin America have now become the trusted conduit through which businesses from Latin America seek markets within East Asia.

1.1.5.2 Traditional East Asia business linkages into Latin America have also been dominated by Japan. Thus countries such as Brazil and Peru, with their large Japanese populations, were natural magnets for trade and investment from Asia to Latin America. These ties have existed for decades, as one Brazilian legal advisor explained: "From the 1920s, Japanese entrepreneurs were investing in land in Brazil; they grew cotton for export and for textile mills. They were visionaries. Mitsubishi couldn't convince his own company directors so he put up 1 million yen of his own money to buy a farm".

1.1.6 There is also a timeline to this process of traversing the trans-Pacific geography. What trade and investment occurred from the 1970s through to the mid-1990s, was largely private sector driven. Companies in Latin America looked towards emerging markets in Asia, first in North and Southeast Asia, and then in China, as potential destinations for commodities and investments. East Asian companies were attracted to Latin American markets largely as part of their attempts to diversify their dependence on the mature export markets of North America and Europe.

1.1.6.1 The Asian crisis which began in 1997, and which had been preceded by several years of the steady decline of the Japanese economy, first dampened trans-Pacific trade and investment, which had been enjoying a slow, but steady growth. But the irreversible pressures of globalization appear to have since driven companies to restructure and reconsider their export and investment strategies.

ITOCHU MANAGEMENT CONSULTING, JAPAN
Founded in 1848, Itochu has become one of Japan's biggest general trading companies. In 2001 the functions of a research institute for overseas development were spun off to form Itochu Management Consulting, which offers services to head office and Group companies. (Appendix: A-25)

1.1.6.2 For East Asian companies, renewed interest in Latin America in the wake of the 1997 crisis appears to be driven by the need to diversify. First, there is a rededication to diversify out of an over-dependence on North America and Europe. Second, there is a need to diversify out of East Asian trade and investments, which were often adversely affected by the crisis. This view was expressed by several Australian companies, which cited the 1997 Asian crisis as the direct catalyst for company strategies to export and invest in Latin America. As one experienced veteran told us: "1997 woke us up to the fact that it was quite dangerous to depend on East Asian expansion for our growth".

1.1.6.3 For Latin American companies, it appears that North Asia- particularly Korea and China - has recently reemerged as a market of interest, just as in the wake of the crisis, Southeast Asia has declined in importance for some businesses. For example, a large Latin American copper mining company witnessed how 1997 events changed the economic and industrial structures of many Southeast Asian countries. One of Southeast Asia's largest export producers of copper now has to sell in its internal market, thereby reducing the attraction of the region for this Latin American producer, which will soon relocate its regional headquarters from Singapore to Shanghai.

1.1.6.4 But this timeline is not without its complexities. Everyone agrees that timing is important. But assessments of the "right timing" naturally differ. One Brazilian manufacturing company, which set up a factory outside of Beijing in the mid-1990s, had only one regret: "that we did not open the factory a decade earlier." On the other hand, another Brazilian company that had a failed attempt to set up a plant in the mid-1980s in China is now considering a second attempt. "We learned a great deal from our first experience; we were a decade too soon, but we are confident that we can succeed this time around."

1.1.6.5 Thus by the early years of the 21st century it has become apparent that for many companies, the imperative to seek new and potentially lucrative markets has not dissipated. In fact, it has increased. Many of the companies that had initiated their trans-Pacific forays in the 1980s, were preparing themselves to refocus their initial strategies and were particularly interested in the vast potential of the China market. As a result, Japan and Southeast Asia, have lost some of their attraction, at least in the short term.

PERDIGAO, BRAZIL
Formed in 1934, PERDIGÃO is a leading Brazilian processor of poultry and pork products. While Brazil accounts for 70-80% of its sales, Perdigao exports to 70 countries. East Asia has been the star performer, and accounts for 36% of the export revenues. (See Appendix:A-16)

1.1.7 In the 21st century, the FEALAC terrain has also become much more complex. Whereas forays into trans-Pacific ventures in the 1980s could be based largely on market-driven analysis and business considerations, the first decade of the 21st century finds companies having to consider the increasingly complex interplay of bilateral, regional, and multilateral trading environments and investment regimes. This is complicated enough for East Asian and Latin American companies expanding in their own respective regions – trans-Pacific ventures are exponentially more difficult.

1.2. OVERCOMING DISTANCE

1.2.1 The companies selected for case studies have all successfully bridged the trans-Pacific in their trading and investment activities. What were their greatest challenges, and what lessons have they learned from resolving them? The most important issue cited was the most obvious: distance. But at a company level, there are many dimensions to this dynamic of distance:

- physical distance
- cultural distance
- information gaps

1.2.2 Physical Distance

1.2.2.1 For those engaged in trade, the most obvious trans-Pacific problem is the costs and time incurred in transporting goods from one side of the Pacific to the other. These, however, can be easily factored into the business equation, and if prices are still competitive, they can be managed. Time is a more critical factor for perishable goods, such as food items. For example, by the time a packet of biscuits with a shelf life of, say, one year, travels from the factory in Australia to the supermarket shelf in Brazil, a couple of months have lapsed. And the supermarket chains may be reluctant to stock items with a relatively shorter running shelf life.

1.2.2.2 Planning routes can be tricky for both the company that ships goods, as well as the shipping companies. This is because sailing times are relatively infrequent, so that schedules must be tightly coordinated, and there is little room for delays. For shipping companies, sailing schedules are rigid, and they are often forced to sail with vacant space available if there are production and land shipment delays. This of course results in lost revenue, and reduced – or non-existent — profits.

1.2.2.3 Some of the most significant costs of the physical distance factor occur before and after the actual journey. Often delays are incurred because of bureaucratic hurdles involved in obtaining necessary export documentation. And at the other end of the journey, import procedures can sometimes result in long and expensive delays in offloading cargo at its destination. These are sometimes accompanied by heavy fines and penalties as well. And the need to hub and transship, particularly in trans-Pacific trade means that the potential for delays and hurdles is multiplied. Hubbing is a distinct feature of FEALAC trade. Los Angeles has become an important air and sea hub for goods being shipped to Latin America from East Asia, and vice versa.

1.2.2.4 As a rule of thumb, Latin American exporters we interviewed find East Asia interesting if the region can absorb at least 15 percent of their global exports. Export volumes and margins must be attractive because trans-Pacific business requires considerable investment in resources such as setting up distribution channels, arranging appropriate financing and trade credit facilities, relocating key staff and in efforts at managing bureaucratic processes in Latin America as well as in East Asia. Similarly, for an East Asian company to establish a beachhead in Latin America, it must also commit a great deal of resources. And therefore the expectation of a steady rise in the trade or service volumes is needed to justify this initial outlay.

SUCOS DEL VALLE, BRAZIL
Sucos Del Valle is the Brazilian subsidiary of Jugos del Valle, a Mexican-based company that specializes in the manufacture and sale of ready-to-drink (RTD) juices. Exports account for 15% of total sales. The "Del Valle" brand is exported to 26 countries, including Japan. (See Appendix: A-17)

1.2.2.5 Often business managers must travel between East Asia and Latin America several times a year, and the air travel time is upwards of twenty-four hours. A grueling journey magnified by 10 to 14 hour time differences. Recovery time from jetlag after the homeward journey adds to the businessman's stress. Air travel is expensive, and flying business class on these sectors is considered a necessity. Thus there are both significant direct and opportunity costs incurred by busy executives who regularly shuttle across the Pacific.

1.2.2.5.1 One senior Brazilian CEO told us that in the last 25 years he had made 147 trips to Japan. "Now at least the seats are more comfortable. I have experienced thrombosis in my legs, and even a blood clot in my eye. Such journeys take a toll on our health". But he considered these trips critical to the establishment of his business relationships with the Japanese.

1.2.2.5.2 Sometimes these distances are underestimated by novices. For example, one Brazilian executive was quite amused by the fact that her factory in Southern Brazil had been visited by a team from Singapore, who travelled to Brazil for a factory inspection, and immediately returned to Singapore – a minimum of fifty hours flying time for a fifty minute inspection.

1.2.2.6 There are two main alternative air travel and air cargo routes between East Asia and Latin America. One uses Los Angeles as a hub, where goods are pooled and then redirected to Japan and Hong Kong. The second route between Latin America and East Asia uses Miami as its hub. Here goods and passengers feed into the trans-Atlantic connection - either via European feeder cities (London, Paris, Frankfurt) or direct to Madrid, and from Madrid to cities in East Asia. A third route, which was just taking off in the early 1990s via South Africa, has at least temporarily become a victim of the 1997 Asian crisis. Air traffic from East Asia to Latin America follows the same routes in reverse.

1.2.2.7 Multiple hubbing is a critical issue for both cargo and passengers. On the North American route, for example, reaching other destination cities in China requires two hubbing procedures: one in Los Angeles, and another in Hong Kong. To overcome the problem, a leading Latin American airline plans to hub in Los Angeles directly with China carriers to penetrate Chinese cities without the need to transfer in Hong Kong. For businessmen, the need to transfer three times increases travel fatigue, and more direct routes will certainly be welcomed.

LANCHILE, CHILE
LanChile is a passenger and cargo airline, offering a broad range of transportation-related products. In 2001, it was voted "Best Airline in South America" by European passengers. The company channels passenger and cargo flows between Latin America and East Asia through its USA and European hubs. (See Appendix: A-23).

1.2.2.8 Strange as it may seem, it is now easier for East Asian businessmen to travel to Latin America through the European hubs such as Madrid or Frankfurt than it is to fly from East Asia to Latin America through the US. Several of the large European MNCs station their Latin America business managers in both these cities so that they can commute to Latin America on a more regular basis to take advantage of the connectivities that these cities offer. More frequent flights and the greater traffic volumes between Latin America and Europe, and between East Asia and Europe, mean that the costs for flying from East Asia to Latin America via Europe is now around thirty percent cheaper. This has been strengthened further with the code-share agreements within the different airline alliances in the interlinked geographies, i.e. East Asia-Europe, and Europe-Latin America.

1.2.2.9 Once initial face-to-face meetings have resulted in business relationships, distance is then overcome as companies take full advantage of IT innovations and telecommunications. One executive summed up the situation: "Technology has done a lot for us". Email, websites, scanning, teleconferencing, have all suddenly brought exploring trans-Pacific markets within the price range of small and medium enterprises (SMEs) as well. And there is evidence that a group of new start-ups is moving into this niche as facilitators.

ABITCOM, AUSTRALIA ABITCOM or "Australia - Brazil International Trade and Commerce", with an office in Melbourne, Australia, specializes in assisting Brazilian companies to export their products to Australia, and vice versa. The company depends almost entirely on its website to attract potential clients. (See Appendix: A-1)

1.2.2.10 Some of the SMEs which are showing interest in trans-Pacific opportunities have gained experience and confidence by successful forays into the European and North American markets. There is also the experience of other companies which have launched websites, particularly bilingual websites, and managed to attract interest directly from distributors on the other side of the Pacific. A company which runs a website promoting Australian-Brazilian trade opportunities reports 5,000 hits per month.

1.2.2.11 This process has started to change the mindset of companies, especially those with younger managers. One consultant told us that enquiries for market studies from SMEs in Brazil came primarily from CEOs and marketing managers in their 30s, who were IT sophisticates. The attitude seems to be that the internet empowers, and this narrowing of the psychological distance between East Asia and Latin America will be an increasingly powerful impetus to overcoming the problems of physical distance.

1.2.3. Cultural Distance

1.2.3.1 But irrespective of the new technologies, and their obvious benefits, establishing personal connections and business networks remains of paramount importance. Almost inevitably the need for face-to-face discussions and negotiations is essential, at least for the initial phase of business development. In some markets, for example Japan or China, the time taken to cultivate relationships is fairly lengthy, often over several years. This extends to managing relationships with various levels of the bureaucracy, to the importance of choosing the right partner, and to an optimum local/foreign staffing mix.

1.2.3.1.1 One Latin American manufacturer who has successfully entered the Japanese market, explained the need for patience and tenacity. "They (the Japanese) would come with a thousand detailed questions, what is the composition of this, what percentage of that, what certification is required. And then they would go away, only to come back a few months later with more questions. But finally, they were satisfied, and our working relationship is now established".

1.2.3.1.2 There is often a sense of country solidarity that exists amongst businesses operating in a foreign environment. In fact, the constant is the native country connection, which at times actually is the prime determinant of the business decision to move to a particular foreign location. One Japanese executive summarized his position: "We follow Japanese companies. Since they are moving to China, we are moving to China".

1.2.3.2 Thus bridging physical distances is not enough. Culture matters. And in this context, language facility is the key. It is therefore no accident that Madrid is the European gateway to the Spanish-speaking world of Latin America. Or that the two US hubs that have emerged for trans-Pacific trade are the Spanish-speaking enclaves of Los Angeles and Miami.

1.2.3.2.1 This also serves to highlight the enormous gulf between the cultural worlds of East Asia and Latin America. And such cultural differences continue to be perceived as largely impenetrable. Language is a very serious handicap. The lingua franca of Latin America is Spanish, while the single largest market, Brazil, speaks Portuguese. One experienced CEO told us: "You have to speak Spanish in Latin America. I don't speak Portuguese, and you can get by in Brazil with Spanish. After ten years, I understand quite a lot of what they say in Portuguese, but it is an advantage to continue to let them think I don't."

1.2.3.2.2 Moreover, English, which has emerged as the lingua franca in East Asia, is not widely spoken in many Latin American countries. An indication of how vital the language is can be illustrated by the fact that we encountered language difficulties during our Japanese interviews because Japanese business executives dealing with Latin America speak fluent Spanish or Portuguese, but seldom are comfortable in English.

1.2.3.2.3 Language ignorance can also be costly. As in the case of a fruit juice company producing for the Japanese market. The Japanese labels were inadvertently affixed to the wrong juices, so that "passion fruit became mango". The problem was solved by introducing a picture of the appropriate fruit into the design of the labels.

1.2.3.3 In practical business terms, the need to recognize and deal proactively with cultural differences translates into managing risk, which is one of the most frequently mentioned preoccupations of companies engaged in trans-Pacific trade. It is assumed that emerging markets will be inherently riskier than mature markets, and therefore the manner in which a company assesses and mitigates risk can mean the difference between success and failure.

AGL GROUP, AUSTRALIA
Established in 1837, the Australian Gas Light Company (AGL) has grown into a group of diversified energy companies. Most of its overseas activities have centered on New Zealand. But in the late 1990s, AGL purchased Gas Valpo, which is the largest regional natural gas distributor in Chile. (See Appendix: A-2)

1.2.3.3.1 Political risk, viewed from the company perspective, is usually measured as a degree of political stability. The more politically stable the government, the more likely it is that there will be stable economic management, predictable policies, and, as a consequence, a reasonable chance for economic growth. Thus, as one CEO expressed it, "The best situation is when there are clear rules, and these rules don't change".

1.2.3.3.2 Another element of risk is personal safety. This was a frequently mentioned concern amongst East Asians trading and investing in Latin America. Almost everyone we spoke with had a horror story of what had happened to them while in the major cities in Latin America. In contrast to most Asian cities, there is the perception that law enforcement forces are reluctant or unable to seek any resolution to these incidences. In some cities, the safety concern is so paramount that business is conducted by arranging for local counterparts to provide protection from arrival to departure. Chile is often cited as an exception to this, and most Asian businessmen felt that they could move around on their own in reasonable safety in that country.

1.2.3.4 But there is also an important global dimension to balancing trans-Pacific business relationships. From the company perspective, the optimum appears to be to get as close to the maxim of "be global, think local". One executive said that "in South America it is an advantage not to be considered a gringo (North American). It is best to be seen as local, but there is not so much resentment of Asians".

1.2.3.5 This cultural sensitivity also extends to branding. Many executives expressed the view that it is better to adopt an approach that emphasizes local commitment, rather than international linkages. One executive emphasized that "this is particularly true for large investors, who may be resented". Staffing in many trans-Pacific ventures also reflected this. A judicious mix of local expertise was considered essential.

1.2.3.6 Latin American companies' need to understand East Asian markets, especially in the context of different business cultures, has provided a strong basis for Japanese trading houses to be positioned as conduits for business within FEALAC. The long history of trading houses operating across East Asia and the fact that almost all of them have regional and/or country representative offices provides them with a wealth of business intelligence suitable for the use of Latin American exporters channelling their products through them.

MITSUBISHI, JAPAN
The Mitsubishi Corporation is one of Japan's most well-known companies, and one of the world's most diverse enterprises. Mitsubishi has almost 700 subsidiaries and affiliates, and a network of 36 offices throughout Japan and 115 worldwide. (See Appendix: A-27).

1.2.4 Information Gaps

1.2.4.1 The direct result of distance – both physical and cultural – is an enormous information gap which exists amongst those who participate, and those who aspire to participate, in trans-Pacific trade. Access to the right information to make informed business decisions is the most important success factor in both trade and investment. Whether a company is investing small or large amounts, or trading, there are three important areas to track. An investor's main preoccupation is maximizing the security of investments. Second, he requires information to monitor changes in the legal/tax environments, even if there is little possibility of influencing these changes. Finally, companies must acquire information to enable them to track and mitigate exchange rate volatility, and economic policies.

ADVOCACIA MASATO NINOMIYA, BRAZIL
Advocacia Masato Ninomiya (AMN) is a law firm founded by Masato Ninomiya, who is a naturalized citizen of Brazil born in Japan. Clients of the firm include some of the biggest names amongst local and international organizations. AMN also has a strong East Asian client base. (See Appendix: A-11).

1.2.4.2 A closely related concern that was voiced frequently by the small and medium sized companies was information to assess the availability of trade finance facilities and the reputation of buyers on either side of the Pacific. For Latin American exporters, the trade finance facilities on the East Asian side were not clearly apparent since most of the Latin American banks did not have large representation and relied to a large extent on correspondent banks. But even when such facilities were made available, the reputation of the buyer was always a risk that they had to shoulder since face-to-face negotiations were not always possible. More sanguine was the need to protect against wide exchange rate volatilities.

1.2.4.3 In this access to information, size does matter. Large multinationals employ their own intelligence gathering sources to monitor and analyze country risk. Smaller companies must rely more on outside sources – either through business networking, or through national, regional, or international agencies as information gatherers.

THE ECONOMIC ANALYTICAL UNITY (EAU)
The Economic Analytical Unit (EAU), is part of Australia's Department of Foreign Affairs and Trade (DFAT). The EAU researches and publishes on issues related to Australia's trade and investment policy interests. In 2001 it released a major study on investing in Latin America. (See Appendix: A-4).

1.2.4.3.1 One consultant observed that "the larger the client, the more specialized the services he requires. Small companies require broader, one-stop-shop services, which include market intelligence, product positioning, pricing, and access to appropriate distribution channels". Proportionately, however, companies exploring trans-Pacific business potential must be prepared to spend money on seeking and analyzing appropriate information.

1.2.4.3.2 As a corollary, translating this intelligence into influence also has a size dimension. Large companies have a much better bargaining position when negotiating special deals and dispensations from certain regulations, taxes, or tariffs with the relevant government bureaucrats and politicians. In this context, one large company executive observed that "We don't really need FEALAC because we can just walk in to the President's office and negotiate our terms. But of course smaller companies without this access will find an organization such as FEALAC a useful lobby."

1.3. TESTED STRATEGIES

1.3.1. In sum, business networking in its broadest sense is critical to successful ventures. Based on our company interviews and observations, there appear to be several models which have worked for companies engaging in trans-Pacific trade and investment:

- Variations of the "flying geese" relationships prevalent in East Asian business expansion from Japan and Korea into Southeast Asia from the 1970s
- Symbiotic relationships between producers/suppliers and providers of logistics services which must bridge the distance divide between East Asia and Latin America
- Mentor relationships between producers/suppliers and distributors

1.3.2 Flying geese patterns are particularly Japanese. Typically, a large trading house will liaise with a large contractor to build factory premises. The specifications will be determined, and the contractor will be the sole supplier of "factories", whether they are built in Japan, Indonesia, or Brazil. Such companies are totally dependent on their commissions, and because of the holistic nature of the service, they cannot refuse to build a factory, regardless of where it is located.

1.3.2.1 Another flying geese pattern adapted for Latin America is the phenomenon of a provider of a necessary intra-industry product setting up a factory to supply the requirements, such as precision machine tools for the mining industry.

1.3.2.2 There can also be a purely cultural dimension to a flying geese pattern. For example, an Australian mining company executive explained that "the same canteen operator we have here in our building is the same canteen operator we have in Chile". Thus although the canteen operator is not providing a direct service that could not be acquired locally, the cultural comfort zone of familiar food is sufficiently important to justify his inclusion as one of the "flying geese" in the company formation.

1.3.2.3 These flying geese patterns have evolved to accommodate the special conditions existing at times in Latin America when governments legislated import substitution policies. Companies were then obliged to set up subsidiary factories because the imports of necessary component parts were either disallowed or heavily taxed.

MITUTOYO, JAPAN
Mitutoyo is a world leader in the manufacture of precision measuring tools and devices. It has laboratories, plants and showrooms across Asia, Europe, North and South America. It has a strong presence in Brazil, with offices and factories throughout the country. (See Appendix: A-28)

1.3.3 Bridging the intra-regional FEALAC distances requires complex logistics management and appropriate shipping slot scheduling. As a result large suppliers have built up close symbiotic relationships with shipping companies while shipping companies across the Pacific have developed strategic alliances among themselves, operating out of key hubs.

1.3.3.1 For example, one of the largest Japanese shipping companies has a strategic alliance with a Chilean shipping company and shares capacity on the trans-Pacific routes. Much of this capacity is further contracted on a full-chartered basis by large companies in the copper and pulp businesses.

1.3.3.2 In the movement of containerized cargo, however, hubbing for the joint alliance takes place in Los Angeles. As these major carriers have scheduled sailings, albeit with a lower frequency, ships often have excess capacity in container traffic across the Pacific between Latin America and East Asia. Thus although the bulk carriers are generally profitable, container traffic is less so because of the excess capacities on scheduled sailings.

NYK GROUP, JAPAN
Nippon Yusen Kabushiki Kaisha ("NYK"), founded in 1885, is Japan's largest shipping company and forms the core of the NYK Group, which provides a diverse range of shipping, transportation and logistics services worldwide. NYK's four core businesses focus on container transport, tramp and specialized carriers, logistics, and cruise. (See Appendix: A-30)

1.3.4 In recognition of the cultural differences which are an inherent part of East Asian-Latin American trade, some companies have established mentoring relationships to guide them through the business and bureaucratic webs. This has traditionally been a niche occupied by the Japanese trading houses, whereby Latin American companies would rely on their distribution networks to place their goods into the East Asian markets. But more recent evidence points to direct contacts between Latin American companies and local East Asian principals through the efforts of the new internet-based facilitator companies dealing with younger managers in Latin America.

1.3.5 Thus, a new dimension to this pattern appears to be emerging. The internet and other new forms of communication – handphones being the most prominent — are allowing small mentoring start-ups to occupy a viable niche between SMEs (who because of size do not have the resources for a solo market entry) and new markets. These new firms operate websites, thus reducing travel time and costs. They also typically offer a larger range of services than just being distributors. These include market surveys, competitor analysis, branding and advertising advice, and sourcing appropriate partners and/or distribution channels.

1.4 ANTICIPATING THE FUTURE

1.4.1 Companies with experience in trans-Pacific trade and investment have no illusions that it is not easy to weather the political, economic, and financial storms endemic to both regions. But, as one sage CEO told us: "We survive in the present to prosper in the future". The recent Argentine problem offers a case in point. Explaining that an investment in Argentina was generating enough revenue to pay overhead costs, he concluded that his company would wait it out, and plan on repatriating profits when the crisis had passed.

1.4.2 What appears to have changed in comparing trans-Pacific trade and investment in the 1990s and the first decade of this new century, is the increasing impact of globalization on business. Although this has almost become a tautology, companies are increasingly able to articulate this impact through concrete examples. For example, an organic coffee producer in Brazil is now developing a common brand across the world and creating an identity for itself while at the same time selling to other branded producers to sustain a base stream of business. Similarly, a poultry and processed meat producer from Brazil is involved in a global rebranding exercise taking its cue from how the East Asian market has readily accepted its products. Some firms have successfully gone global in their niche markets.

EMBRACO S.A., BRAZIL
Established in 1971, Embraco leads the world market for hermetic refrigeration compressors. It has plants in Brazil, Italy, China and Slovakia, offices in the USA and Singapore, and a number of strategically located distribution centers. It serves more than 80 countries worldwide. (See Appendix: A-9)

1.4.3 In this process of globalized production and sales, the critical need is for more sophisticated access to information. For example, a large Latin American oil and gas conglomerate has rationalized its business "to become a regional (South American) oil and gas player", and has eschewed any ambition to become "a global player" although it has recently set up a regional Asian headquarters in Singapore because of the felt need to monitor developments at a global level. Some companies have created a niche by offering such information-gathering services to a group of clients, thus cutting costs for each end-user.

IDP EDUCATION, AUSTRALIA
IDP Education Australia (IDP) is a world leader in the international education and development services industry. It operates within 31 countries, including Colombia, Brazil and Mexico. It is an independent non-profit organization owned by 37 Australian universities. (See Appendix: A-7).

1.4.4 Being caught up in mergers and acquisitions can also have complex impacts on company strategies. A leading Australian food company was planning to enter the South American emerging markets, and had done its homework in terms of the viability of its market entry strategy. But the entire plan was scuttled when the company was bought by a large US-based multinational that did not wish the Australian company to compete with existing brands (formerly competitors) in the South American markets.

1.4.5 But by far the most complex issue is tracking the ever shifting playing field of tax and tariff structures which are being influenced by bilateral FTAs, regional and global trading and investment regimes. For example, a company which wishes to launch into the China market is preparing its market strategy while tracking the progress of a bilateral agreement which must be concluded before it can apply for the necessary licenses to export its products to China. Another company worries about the indirect impact of bilateral trade agreements that would render its goods (automobiles) uncompetitive if a third country succeeds in obtaining concessions for competitor imports. "With a tariff of 35 percent, we would never be able to compete with those who could apply for tariff waivers".

1.4.6 Thus markets must not only be tracked in terms of the narrow industry focus. The general market climate, and the impact which these globalizing forces exert, have to be understood if companies are to remain competitive. First past the post in capitalizing on market niches means that obtaining such information is vital to remaining viable. Large multinationals have a distinct advantage over SMEs in this global game. "For big multinationals, investment patterns are driven by tax" considerations – investment flows are determined by where we get the best tax breaks".

SECTION TWO:
ASSEMBLING THE WIDER PERSPECTIVE

2.1. FEALAC IN THE WIDER ARENA

2.1.1 The company level information obtained through our interviews in Australia, Japan, Chile and Brazil can be placed in the wider context of trade and investment patterns within FEALAC. Trade and investment flows within the FEALAC area largely corroborate the general picture obtained through interviews, and provide insights into how and why the mechanics of business operations have evolved as they have. The dominance of Japan in both company-level relationships and overall trade and investment patterns is readily apparent, while the importance of China has begun to emerge more vividly.

2.1.2 Section Two first focuses on how FEALAC member countries are positioned within the overall picture of global trade and investment. From this global vantage point, the focus narrows to salient characteristics of the two dominant geographic lobes of FEALAC – East Asia, and Latin America. In the remainder of the section, the focus sharpens to discuss various aspects of the specific subject of this study — inter-regional trade, by which we mean trade between these two geographic lobes. In the context of FEALAC, we will refer to this trade as "trans-Pacific FEALAC trade".

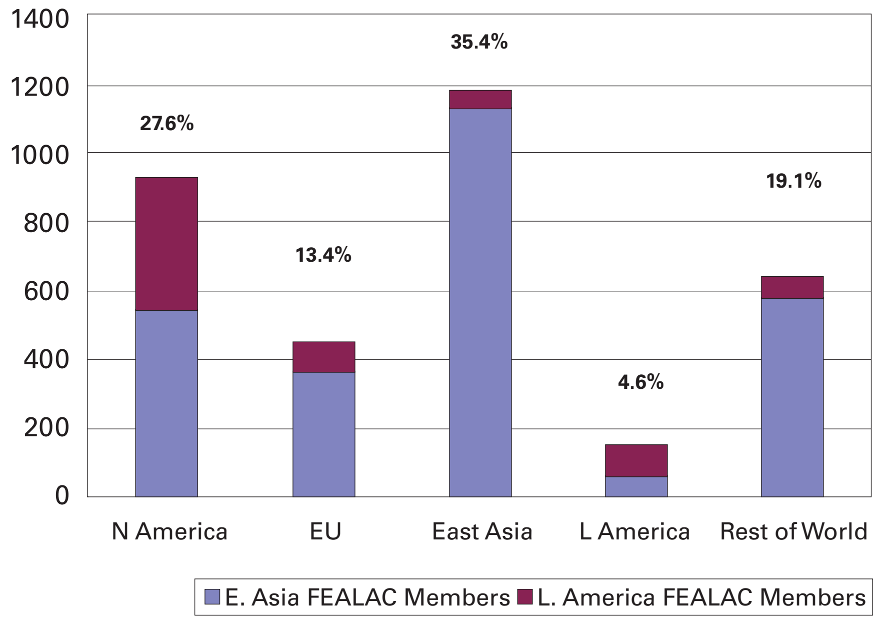
2.1.3 FEALAC's total trade, USD 3317 bn in the year 2000, is around 21 percent, or one-fifth of total world trade[5]. North America and the EU are FEALAC's main trading partners. Forty-one percent of FEALAC's trade is with North America and the EU, followed by just over 35 percent being concentrated within the East Asian member countries of FEALAC, and about 5 percent being within the Latin American member countries (See Figure 1).

2.1.4 The relative dependency on the North American and European markets is a defining feature of the differences in trade relationships that distinguish East Asia from Latin America. FEALAC trade is driven by East Asian member countries, which account for almost 80 percent, or USD 2654 bn, of total FEALAC trade. Of this East Asian trade, one third, or USD 876 bn is consumed by trade with North America and Europe. The Latin American member countries are much more dependent on North American and European trade. For them, just over two-thirds, or USD 458 bn, of their total trade of USD 663 bn is directed towards North America and the EU. And, as we observed in Section One, this is also reflected in company behaviour patterns and priorities.

2.1.5 Furthermore, it is clear that for the Latin American countries, the strong dominance of trade with North America is the definitive characteristic of their trading patterns. For them, the proportion of trade directed to and from North America is 56 percent, while for the East Asian countries it is 20 percent. Trade with the EU is an equally important element for both East Asian and Latin American member countries, each having a share of 13 percent of their external trade volumes directed to and from the EU (See Figure 2).

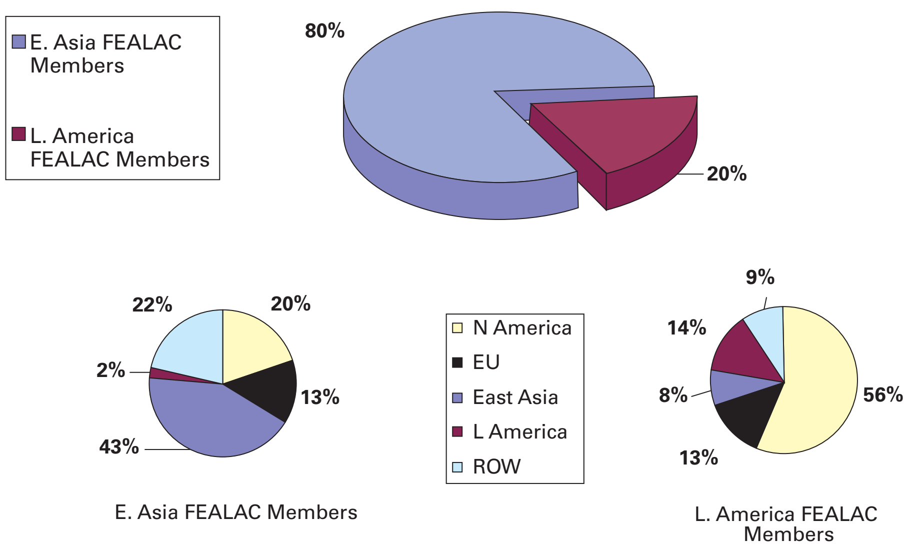
[5] *Total World Trade (Exports+Imports) of Goods and Services was approximately 15.6 trillion USD in 2000 : WTO, International Trade Statistics 2001.*

Figure 1 FEALAC Trade Composition, 2000



Source : IMF, DOTS

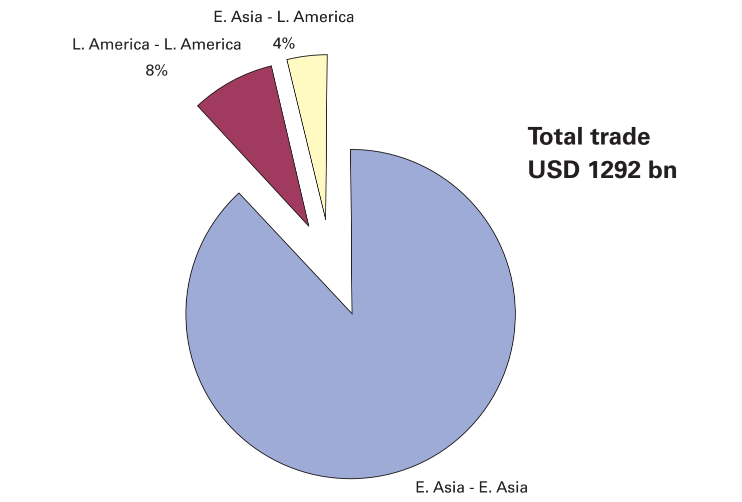
Figure 2 FEALAC Trade Composition, 2000



Source : IMF, DOTS

2.1.6 We now move to an analysis of the trade patterns amongst FEALAC members. Intra-FEALAC trade comprises 39 percent, or USD 1292 bn, of FEALAC's total trade, with trade amongst the East Asian member countries dominating it, i.e. 88 percent. Trade amongst the Latin American member countries within this intra-regional trading pool constitutes 8 percent, or USD 103 bn, leaving only a small portion 4 percent, or USD 52 bn, of total FEALAC trade being conducted as trans-Pacific flows between East Asia and Latin America. (See Figure 3). It is this trans-Pacific trade flow that is the essential element of the analysis in this report.

Figure 3 Inter-member FEALAC Trade Composition (2000, Total USD 1292 bn)



Source : IMF, DOTS

2.1.7 It is also interesting to note that there are only ten main trading countries within FEALAC – Japan, China, Korea, Singapore and Malaysia from the East Asian side, and Mexico, Brazil, Argentina, Venezuela and Chile from the Latin American side. These ten countries contribute to over 80 percent of FEALAC's total trade. (See Table 1).

Table 1 Top Ten Intra-FEALAC Traders (2000)

Top 5 Traders (E.Asia Members)	% Contribution to Total FEALAC Trade	Top 5 Traders (L. America Members)	% Contribution to Total FEALAC Trade
Japan	25.6%	Mexico	10.1%
China	14.2%	Brazil	3.4%
Korea	10.0%	Argentina	1.6%
Singapore	8.1%	Venezuela	1.5%
Malaysia	6.0%	Chile	1..1%
Total	63.9%	Total	17.7%

Source : IMF, DOTS

2.1.8 Finally, we arrive at an analysis of what we have termed "trans-Pacific trade", or trade between the countries of East Asia and Latin America. The volume of this trade is small – only a mere 4 percent of FEALAC trade. Moreover, this trans-Pacific trade takes place between China, Japan and Korea on one side, and Mexico, Brazil, Chile and Argentina on the other (Table 2).

2.1.9 Moreover, the statistics corroborate the company-level assessment of the importance of Japan in this trans-Pacific trade. Japan is a pivotal trading partner for all other FEALAC member countries. As shown below, Japan contributes over a third of the trans-Pacific trade volumes within the FEALAC grouping. The increasing importance which companies have placed on evolving a China strategy is also reflected in the rapidly expanding trading influence of China.

Table 2 Top FEALAC members in the trans-Pacific FEALAC trade

Top E. Asia Members	% Contribution to Total E. Asian - L. American Trade	Top L. American Members	% Contribution to Total E. Asian - L. American Trade
Japan	38.5%	Mexico	34.9%
China	21.6%	Brazil	25.2%
Korea	19.3%	Chile	14.2%
		Argentina	8.2%
Total	79.4%	Total	82.5%

Source : IMF, DOTS

2.2 TRADE OPENNESS

2.2.1 Our FEALAC overview has highlighted several interesting trading patterns:

- FEALAC member countries contribute about one fifth of global trade
- The FEALAC region can be divided into three trading areas: East Asia, Latin America, and trans-Pacific trade between the two
- East Asia dominates FEALAC trade
- Latin America is much more dependent on trade with North America and Europe
- Trans-Pacific trade is very small – only 4 percent of total FEALAC trade

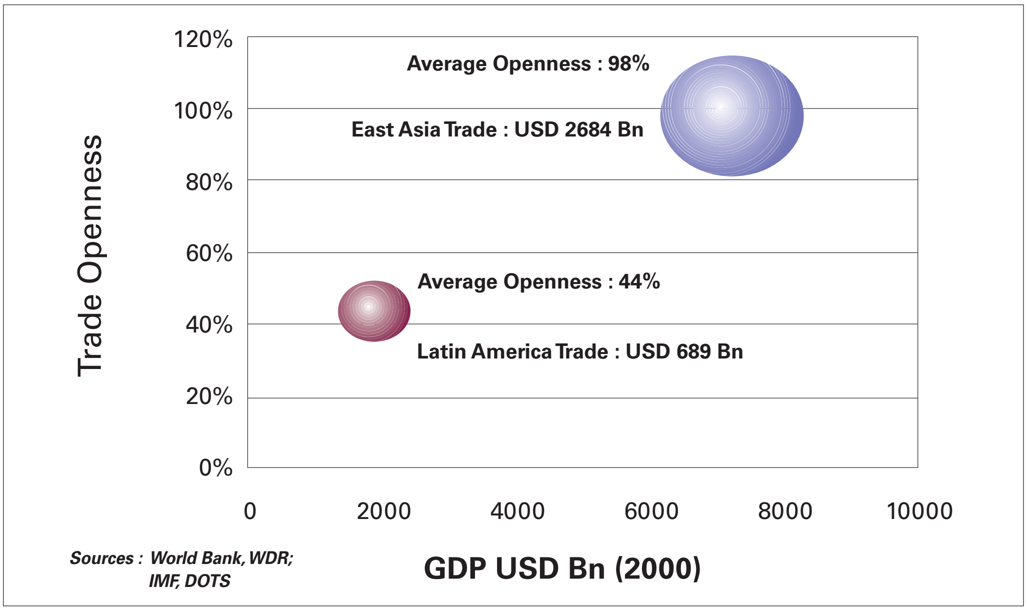
There are several key factors to explain the development of these patterns. The degree of trade openness appears critical. And this is largely a function of the size of the economy, which in turn profoundly influences industrial structure and investment patterns. Finally, these trends are reflected in the level of tariffs, and other non-tariff barriers, which impact on trade facilitation.

2.2.2 The trading patterns highlighted above are not unusual when the level of trade openness (ratio of total trade to GDP) is considered in more detail. Trade is a more important element within the East Asian economic structure than it is in Latin America. The average openness to trade amongst the East Asian member countries is 98 percent while the corresponding figure for the Latin American member countries is 44 percent (See Figure 4). East Asian growth has been fuelled by trade, largely, and sustained by a substantial inflow of foreign direct investments.

2.2.3 When the two regions within FEALAC - East Asia and Latin America - are further disaggregated the trade openness of the different member countries becomes more apparent. In East Asia, Singapore and Malaysia are the most open while in Latin America the most open are Costa Rica, Ecuador and Mexico. Furthermore, within the East Asian group, only Australia, China, Japan and Myanmar have trade openness ratios below the Latin American average. (See Figure 5 and Figure 6).

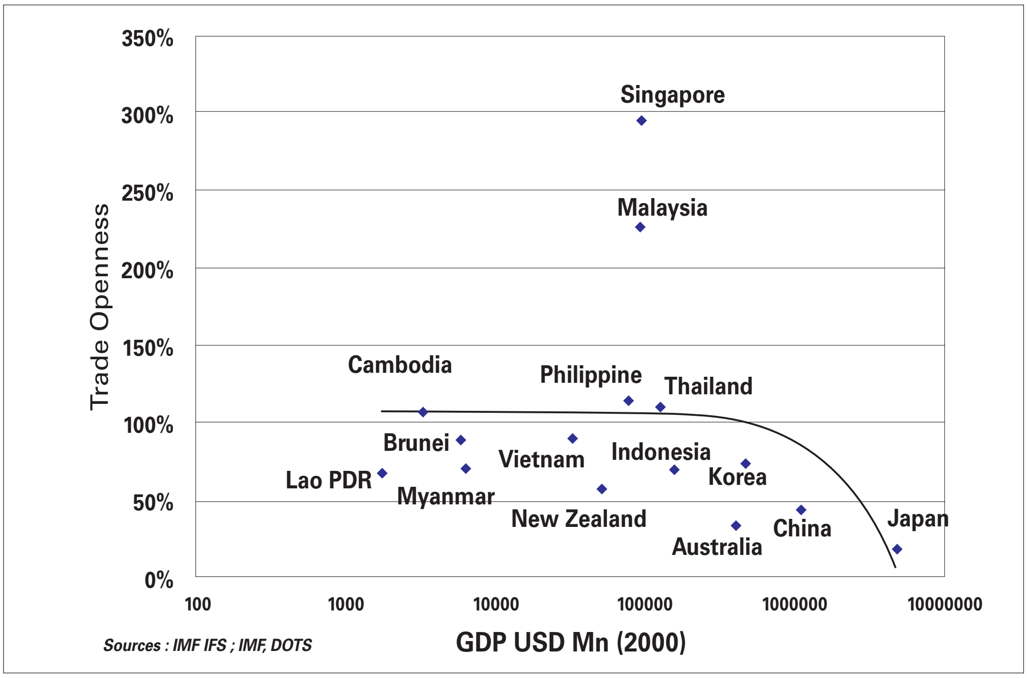
2.2.4 The countries with the largest GDP in East Asia, i.e. China, Japan and Korea, and the highest trade volumes are also those with trade openness ratios below the East Asian average of 98 percent. This is because their larger domestic markets and associated demand contribute significantly to GDP, which then dampens the impact of external trade on the openness ratios. Similarly, Singapore and Malaysia, in contrast, are highly dependent on trade because of their smaller domestic markets.

Figure 4 FEALAC Trade Openness by Region (2000)



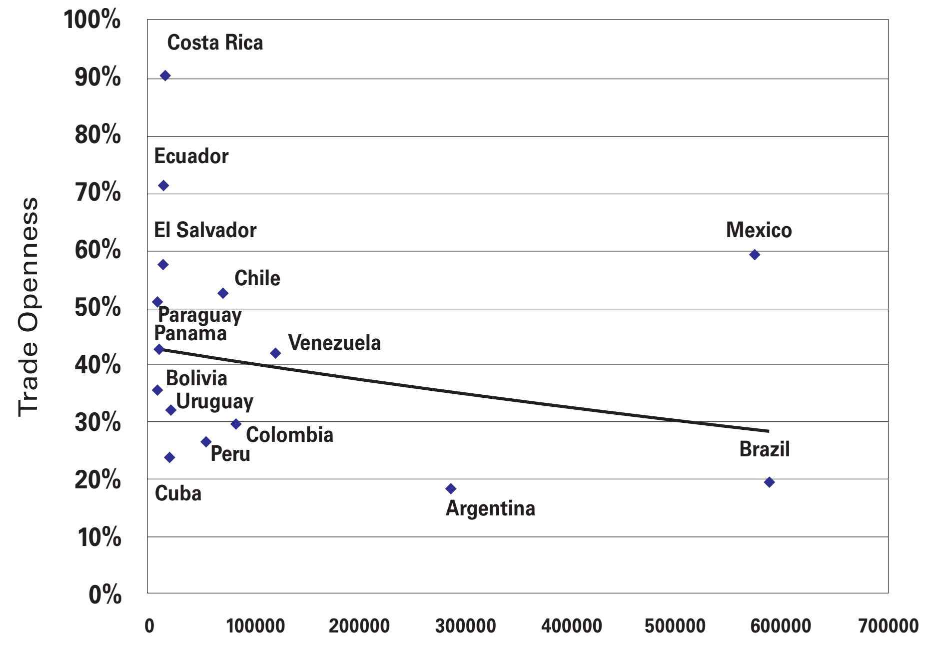
2.2.5 But these figures should be seen in the wider context of total demand, so as not to mask the importance of trade for the large East Asian economies (See Figure 5). Japan, with its large domestic market, for example, has high absolute levels of exports but relative to GDP is less in trade openness terms than that of Singapore or Malaysia.

Figure 5 EAST ASIA Trade Openness



2.2.6 The pattern of trade openness amongst the Latin American members of FEALAC shows some similar features to those of East Asia. The size of the country, and therefore the size of the domestic market is an indicator of how reliant it is on trade for growth. Thus the smallest economy, Costa Rica, naturally has the highest trade openness while Argentina and Brazil have low ratios. The exception to this pattern is Mexico which has a higher than average openness because of its trade with North America. (See Figure 6).

Figure 6 LATIN AMERICA Trade Openness



Sources : World Bank, WDR; IMF, DOTS

2.2.7 Although the trade between the two FEALAC regions is small, 4 percent of FEALAC's total trade, it has unique directional characteristics. Latin America exports mainly primary products such as copper and its alloys, iron ore, aluminium, oilcake and residues, coffee and pulp, (as shown in Table 3) to East Asia. The East Asia member countries, on the other hand, export manufactured goods such as vehicles and parts, telecommunications equipment, electronics equipment and the like, to Latin America. This mix is reflected in the companies interviewed in Section One.

2.3. INVESTMENT AND INDUSTRIAL STRUCTURE

2.3.1 The trade patterns within FEALAC also hinge on the size and structure of the economies within the region. The East Asia member countries have a total output (GDP) size that is almost four times the size of that of the Latin America members[6]. The main difference in the structure of the economies of the two areas within FEALAC is that the East Asia member countries have a relatively larger industrial base at around 38 percent of total output while for the Latin America members it is around 31 percent. In both regions agriculture has a low proportion although it is a more important sector for Latin America, 7 percent, compared to East Asia, just over 5 percent. (Figure 7).

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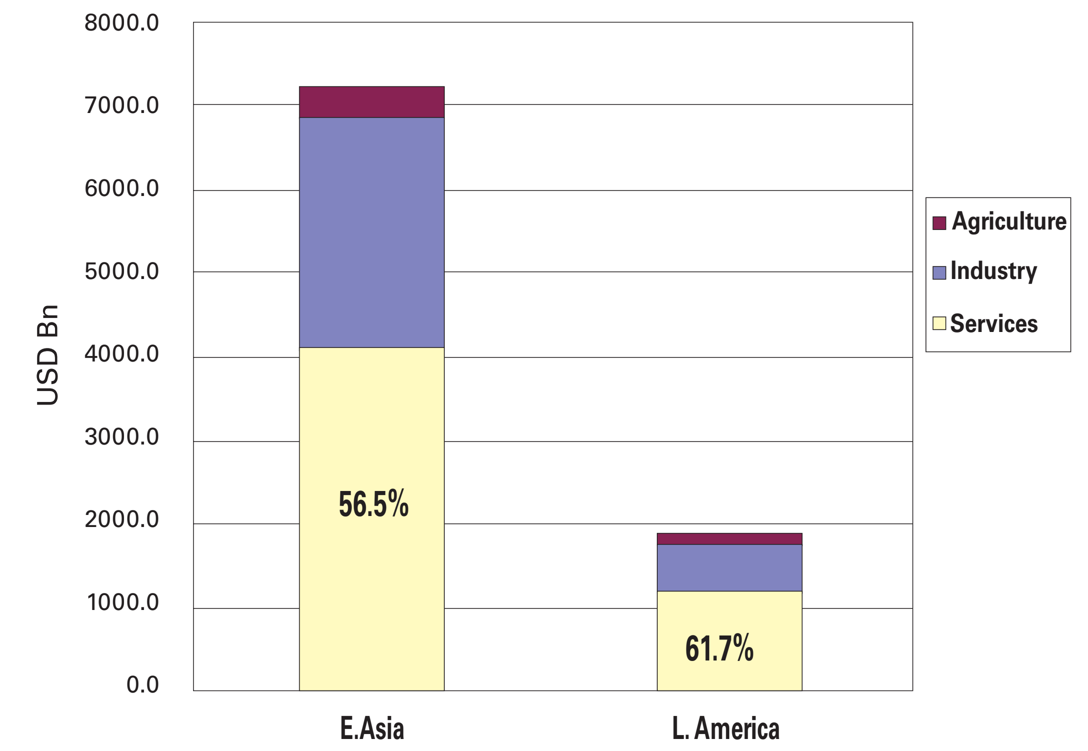
[6] *Combined GDP of East Asia FEALAC Members: USD 7238 bn, that of Latin America FEALAC Members : USD 1884 bn, (2000); IMF, IFS 2001.*

Table 3 Twenty main products imported into East Asia from Latin America (1990-1998)

Rank	SITC	Product	Average Value (USD Mn)
1	6821	Copper, alloys, unwrt	2348
2	2815	Iron ore, conc, not agglom	1451
3	6841	Aluminium, alloys, unwrt	1046
4	3330	Crude petroleum	791
5	2871	Copper ore, etc	1178
6	0814	Meat of fish meal fodder	995
7	6725	Iron, steel blooms, slabs	461
8	2517	Soda, sulphate wood pulp	563
9	0813	Oilcake and other residues	1539
10	0711	Coffee green, roasted	701
11	4232	Soya bean oil	683
12	2222	Soya beans	670
13	0342	Fish frozen, exc fillets	560
14	6727	Iron, steel coil for rolling	179
15	2816	Iron ore agglomerates	435
16	2460	Pulpwood, chips, woodwaste	326
17	6114	Leather bovine, equine	415
18	0114	Poultry fresh, chilled, frozen	355
19	0360	Shell fish, frozen	265
20	6744	Iron, steel heavy plate, rolled	139
		Other products	12017
		Total trade (average for 1990-98)	**27119**

Source : UNSTAT, Comtrade as given in Kuwayama, Mattos and Contador, "Trade and Investment Promotion Between Asia and the Pacific and Latin America", Interregional Cooperation in Trade and Investment, Asia-Latin America, UNESCAP Studies in Trade and Investment 43

Figure 7 FEALAC Structure of Output 2000



Sources : World Bank, WDR ; IMF, DOTS

2.3.2 A closer examination of the industrial sector yields some interesting insights. In both regions, the most important component of the industrial sector is manufacturing which is relatively more significant for Latin America (75 percent of industrial output), than it is for East Asia (63 percent of industrial output).

2.3.3 Thus, although Latin America has a relatively smaller industrial output sector, manufacturing is a more important element of that output than in East Asia. Much of this manufacturing output from the Latin America members is meant for the domestic markets within their own region, and North America and Europe, rather than for export to East Asia and other areas. These figures imply that Latin America's exports are mainly in non-manufactures while for East Asia manufactured goods form the bulk of exports. And this is underscored by the importance of intra-industry trade (Table 4) within FEALAC and its investment relationships. Thus it is no surprise that many of the companies that were interviewed and have successfully engaged in trans-Pacific trade deal in items reflected in Table 4.

Table 4 Twenty main intra-industry products traded between East Asia and Latin America (1990-1998)

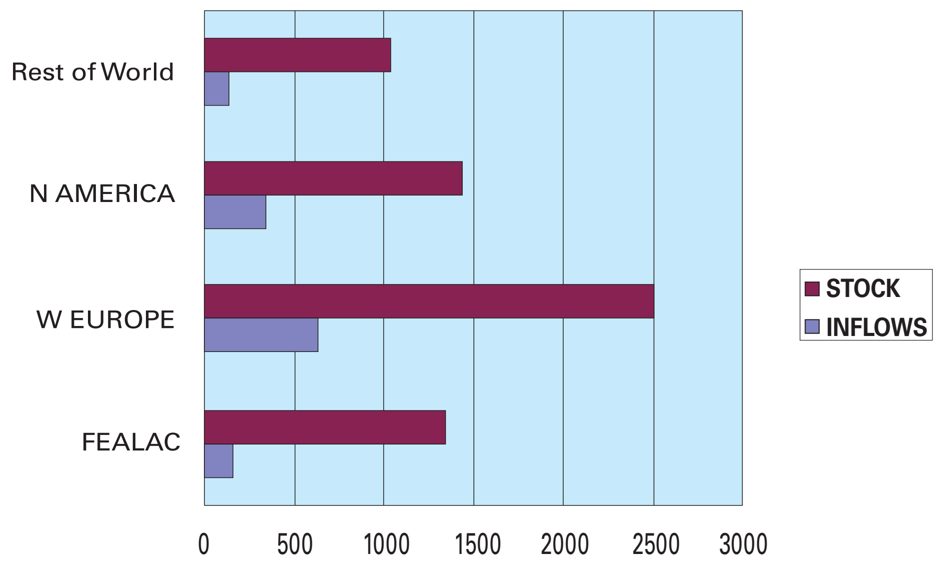
Rank	SITC	Product	Average of Total Trade (1990-1998, USD mn)
1	583	Polymerization products	276.6
2	882	Photo, cinema supplies	229.4
3	514	Nitrogen-fnctn compounds	135.7
4	612	Leather manufactures	23.7
5	725	Paper, mill machinery	21.4
6	516	Other organic chemicals	54.9
7	696	Cutlery	48.4
8	659	Floor coverings, etc	4.5
9	592	starch, insulin, gluten	41.7
10	791	Railway vehicles	8.9
11	654	Other woven textile fabric	35.2
12	554	Soap, cleansing preparations	7.4
13	662	Clay, refractory bldg products	19.5
14	651	Textile yarn	289.8
15	541	Medicinal, pharmaceutical prod	113.1
16	598	Misc chemical products	54.9
17	883	Developed cinema film	0.2
18	897	Gold, silver ware, jewellery	25.3
19	635	Wood manufactures	15.7
20	585	Plastic materials	3.9

Source : UNSTAT, Comtrade as given in Kuwayama, Mattos and Contador, op cit

2.3.4 FEALAC also absorbs a substantial portion of global foreign direct investment (FDI). In 2000, FEALAC had a total stock of about 21 percent (USD 1343 bn) of the world's FDI, and an inward flow of over 12 percent, or USD 155 bn. In comparison, the largest beneficiaries of inward FDI flows in that year were Western Europe, 50 percent, and North America, 17 percent (See Figure 8).

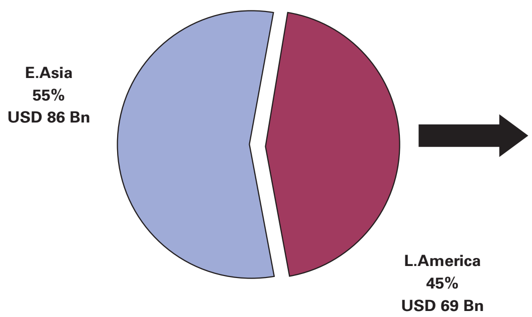
2.3.5 The East Asia members of FEALAC absorb slightly more, 55 percent, of the FDI inflows than the Latin American member countries (45 percent). The main beneficiaries in East Asia have been China, which absorbed over 26 percent of the inflows, Korea, about 7 percent, and Japan, just over 5 percent. In Latin America, the major beneficiaries have been Brazil, with under 22 percent, followed by Mexico, with over 8 percent, and Argentina, at around 7 percent, of the inflows of FDI. (See Figure 9).

Figure 8 FDI Inflows and Stock 2000 (USD bn)



Source : UNCTAD, Online Statistics

Figure 9 FEALAC FDI Inflow, 2000 (USD bn)



Top FEALAC Destinations for FDI inflow	FDI Inflows (2000, USD Bn)	Inflow as % of total FEALAC FDI Inflow
China	40.8	26.20%
Brazil	33.5	21.60%
Mexico	13.2	8.50%
Australia	11.7	7.50%
Argentina	11.2	7.20%
Korea	10.2	6.60%
Japan	8.2	5.30%
Total	128.8	83.00%

Source : UNCTAD

2.3.6 In terms of investment profiles, even though Japan has been hit by a prolonged recession, Japan's dominance remains. The main investing countries from East Asia in the Latin America members of FEALAC are Japan and Korea. Between 1995 and 1998, for example, an average of just over 11 percent of Japanese and over 7 percent of Korean FDI was directed to Latin America (Table 5). Significantly, only 13 percent of the average Japanese FDI to Latin America went into manufacturing. Thus, even Japanese investments in Latin America were largely focused on the non-manufacturing sector. And this is reflected in the trade patterns as well – primary products and non-manufactured goods from Latin America into East Asia, and manufactured goods from East Asia into Latin America.

Table 5 Japanese and Korean FDI to Latin America (1995-1998 USD mn)

	1995	1996	1997	1998
JAPAN				
Total FDI	3877	4446	6336	6463
FDI into Manufacturing sector	320	1489	664	342
KOREA				
Total FDI	246	421	628	379

Sources : JETRO, Korea, Ministry of Finance and Economy; as given in Kuwayama et al, op cit

2.4. TARIFF CONCERNS

2.4.1 At a macro-level one of the major concerns in trade promotion is the level of tariffs, although discussions with companies indicate this to be less critical. Nevertheless, in the process of tariff reforms in both East Asia and Latin America, there have been commitments to reduce tariffs over the next several years. These reductions can have an impact on boosting trade, but by themselves will be insufficient to attain significant trade gains. Many other impediments to trade and investments must also be addressed, while ensuring that the supporting infrastructure is also in place.

2.4.2 Amongst the Latin American member countries of FEALAC, the average tariff rates range from a low of 9.7 percent for Bolivia to a high of 16.2 percent for Mexico. Although the average rates seem low, some countries, such as Mexico, actually have maximum rates of around 260 percent for a few tariff lines, while in others the maximum ranges from 10 to 37.5 percent. (See Table 6).

Table 6 MFN Tariff Structure of Selected Latin American Countries (1999)

Country	No. of tariff lines	Average	Max
Argentina	9336	13.4	33.0
Bolivia	6679	9.7	10.0
Brazil	9331	14.3	35.0
Colombia	6790	11.6	35.0
Chile	5862	10	10.0
Ecuador	6707	13.1	37.5
Mexico	11360	16.2	260.0
Paraguay	9319	11.4	30.0
Peru	6890	13.2	20.0
Venezuela	6688	12	35.0

Source : Inter-American Development Bank, as given in Kuwayama et al, op cit

2.4.3 In the East Asia member countries of FEALAC, there have been individual action plans (IAPs) to reduce tariffs as part of the Uruguay Round Plus. The expected tariffs by the year 2010 range from a minimum of 0 percent for several countries, to around 15 percent for China. (See Table 7).

Table 7 Individual Action Plans (IAP) for Tariff Reductions amongst selected East Asian member countries

Country	IAP
Australia	7.5 to 17.5 % for passenger motor vehicles, maximum 10% on other items
Brunei	82% of tariff lines bound at 5%
China	Average tariffs at 15%. Industrial products at 10.8%
Indonesia	Maximum of 5% by 2003, for items with surcharges and tariffs less than 20% in 1995, except for automotive parts. Maximum of 10%, for items with surcharges and tariffs more than 20% in 1995. Chemicals, steel, metal and fishery products 5-10% by 2003
Japan	0%
Korea	0% by 2004
Malaysia	0% by 2005
New Zealand	0% by 2006
Philippines	One uniform rate of 5%, except sensitive agricultural products, by 2004
Singapore	0%
Thailand	0% by 2005

Source : APEC, Assessing APEC Trade Liberalization and Facilitation – 1999 Update, as given in Kuwayama et al, op cit

2.4.4 In broad terms, the overall tariff regimes in the East Asia member countries of FEALAC are much lower than those in the Latin America countries. Until the tariff structures in Latin America reach commensurate levels as in East Asia, it would be difficult to envisage rapid growth in trade within FEALAC. But there are also other inhibiting factors that need to be overcome to support growth in trade. These include an inadequate transportation infrastructure between East Asia and Latin America. For example, shipping connections are well developed within the East Asia region but are weak between East Asia and Latin America. The sailings from Singapore, as an example, indicate the paucity of connections with Latin America. The largest number of sailings, 43 percent, per week is directed to ports within East Asia. Just over 6 percent of total sailings is directed to the Latin America ports of the FEALAC member countries. (See Figure 10). This poor frequency of connections has been a dissuading factor amongst traders wishing to source for competitively priced Latin American manufactured products[7].

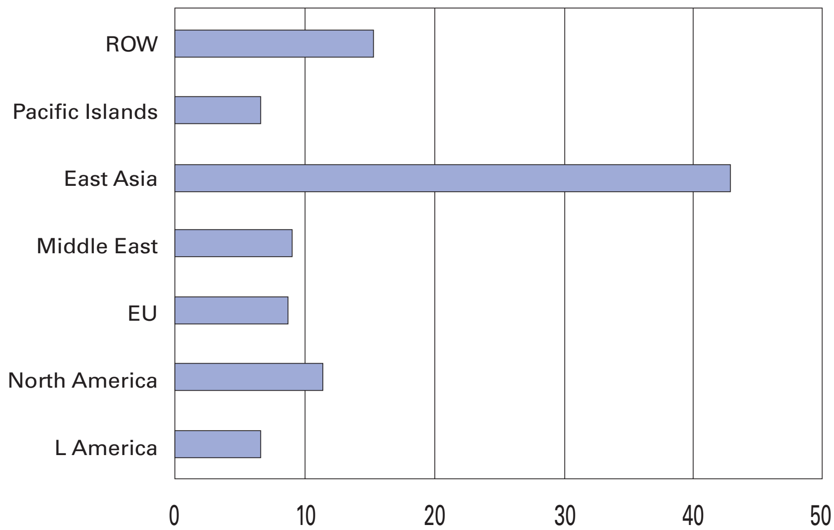
2.5. GROWING TRADE AND INVESTMENT

2.5.1 Company interviews highlighted the threshold, 15 percent of sales volumes, at which East Asia became an important market for Latin American producers. Applying this as the base at which companies seek a foothold in East Asia, and assuming

[7] *Additional interviews with trading companies in Singapore, Malaysia and Hong Kong.*

that the East Asia based revenues can increase at a moderate pace of around 3 percent per year, FEALAC trans-Pacific trade as a proportion of total FEALAC trade will grow from around 4 percent share as at present to around 5 percent by the year 2007. In that process Latin American company revenues from East Asia will increase from 15 percent of total sales to about 17 percent. Alternatively, this means that the number of companies participating in trans-Pacific trade has to increase each year by around 2.5 percent. Given the increasing interest of SMEs in both East Asia and Latin America to participate in exporting to emerging markets, this does not seem an impossible target.

Figure 10 Weekly Sailings from Singapore (% breakdown)



Source : Business Times, Singapore

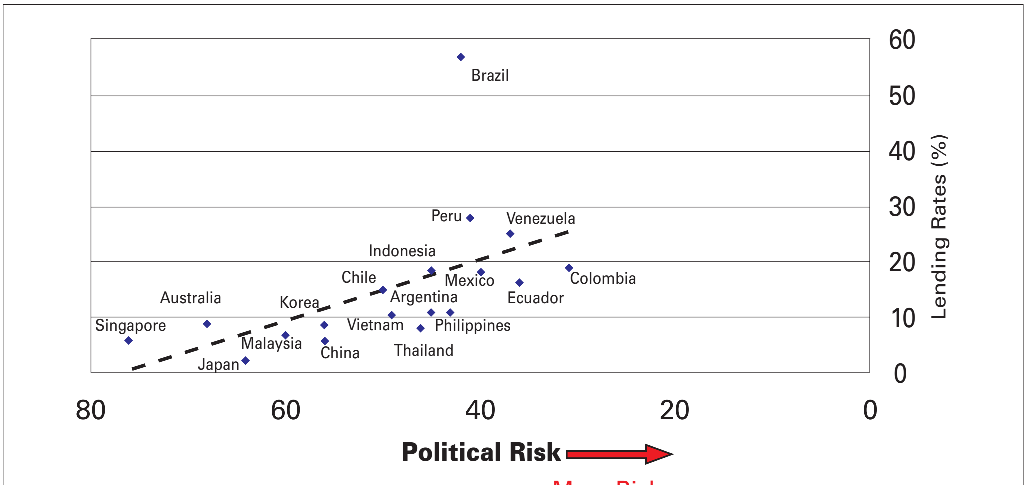
2.5.2 In fact, these are only rough estimates based on restrictive assumptions on market penetration and availability of transportation infrastructure to facilitate such trade. The overall impact could be even more rapid growth if several policy-induced measures are also put in place.

2.5.3 Macro policy adjustments related to tariffs through bilateral or multilateral agreements may induce greater trade promotion. Similarly, major improvements in transportation infrastructure could provide enhanced support for such policy measures. But these will take a longer time frame, and will require agreement amongst all participating countries. What FEALAC needs is a more readily implementable set of policies, requiring a smaller amount of resources, to achieve immediate gains that can signal longer-term prospects for greater FEALAC trans-Pacific economic developments.

2.5.4 Ultimately, however, growth in trade within FEALAC and in trans-Pacific economic relations will depend on how the private sector views political risk in the two regions. As shown in Figure 11, for the year 2000, there is a higher perception of political risk in the Latin American countries which is also borne out by the higher rates of return on investments that are expected in those countries (average lending rates for the year have been taken as reflective of minimum rates of return).

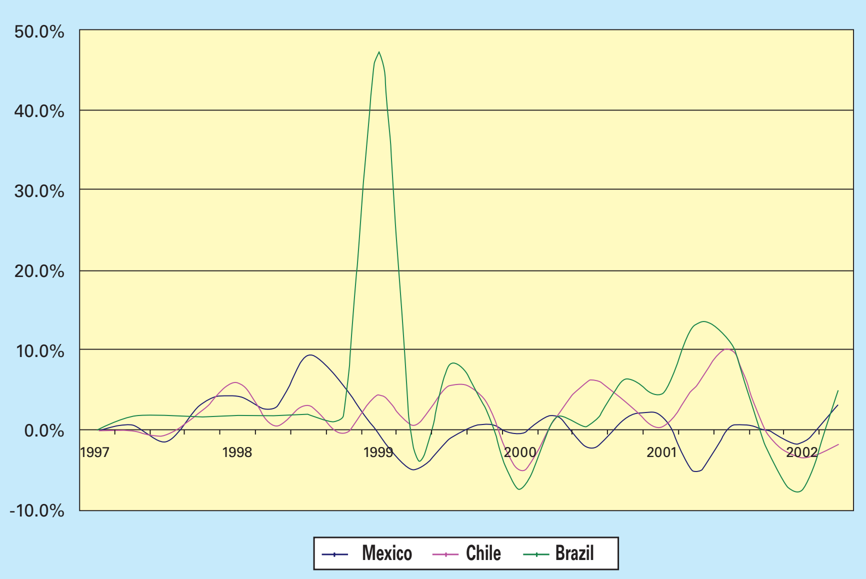
2.5.5 While political risk is an important concern and one which was often quoted by managers as being critical to an investment decision, of some further concern was that of exchange rate volatility. As an example (Figure 12), currency volatility in Latin America has affected exporters from East Asia, and also exporters from Latin America who suffer from loss of revenues compounded by increased costs of imports. Thus, within the FEALAC region, promoting trade and investment will also depend on how well the different countries manage their exchange rates.

Figure 11 Risk–Return Relationship (FEALAC Member Countries)



Note: Political risk as given by the Business Risk Service of BERI; average lending rates for year 2000 from the IMF and IFS statistics.

Figure 12 Q-on-Q % changes against USD Mexico, Chile and Brazil (1997-2002)



Source : IMF, IFS

2.5.6 In sum, the company level interviews taken together with the macro-level assessments indicate a need for several policy measures that can be readily implemented for more rapid results. These are discussed in greater detail in the next section.

SECTION THREE:
POLICY MEASURES

3.1 POLICY MATTERS

3.1.1 There is no doubt that, at the macro-level outlined in Section Two, several policy measures relating to tariffs, investment promotion and trade facilitation are sorely needed. But these measures will require prolonged and concerted multilateral discussions and agreements. However, the feedback obtained from company level discussions, and summarized in Section One, allows for the formulation of several other policy measures that can be more easily implemented. Moreover, these can support and address the macro-level, longer-term requirements. Section Three outlines some of the pressing needs raised by the private sector, for the consideration of FEALAC policy makers.

3.2 SEVEN POLICY RECOMMENDATIONS

3.2.1 Create a private-sector managed databank on FEALAC

3.2.1.1 The most critical requirement in the short-term is a databank on FEALAC that captures several important parameters:-

- The various FTAs, bilateral agreements, and their structural features so that clear and comprehensive contours can be delineated. These will help the private sector to understand the impact on various export sectors, and potential investment priorities.
- Tariff structures, trade promotion and trade facilitation features within member countries.
- Investment promotion measures and processes in each FEALAC member country.
- Export sector companies and their products.
- Investment opportunities and promoted sectors.
- International trade fairs and conventions with FEALAC-related events as a part of the programme

3.2.1.2 While it would seem that these are public sector driven inputs, the management and administration of such a databank should be by an appropriate private sector entity so that an adequate "user pays" system can be in place. Some seed capital will be needed to set up such an entity and this would have to be funded by FEALAC member countries. The databank should be accessible on the internet and be based in a member country where the skills for updating and maintaining the database is readily available, where Spanish, Portuguese and English translation is possible, and where cheap and adequate telecommunications capability is in place.

3.2.2 Capitalise on the Japanese trading house network

3.2.2.1 Almost half of FEALAC trade between East Asia and Latin America emanates from, or is destined for, Japan, underscoring the strength of the Japanese trading houses in trade within the region. These Japanese trading houses have large networks across both sides of the Pacific within the FEALAC member countries. They also have a history of operating within the two regions – East Asia and Latin America – stretching back many decades. They understand the political and business relationships in both regions and have successfully capitalised on these in their own business development. Many examples of just how this system is practised were highlighted during company interviews, and elaborated in Section One.

3.2.2.2 It would be difficult for other private sector players to replicate this capability even in the medium-term. FEALAC member countries should consider co-opting the trading houses into a wider FEALAC business network and provide them the impetus to develop lower level networks that can capture the small and medium scale businesses. While it would seem appealing to consider the local chambers of commerce as appropriate vehicles for this exercise, discussions amongst various businesses have shown that the Japanese trading houses are the most active players within the FEALAC business network. They also have the financial wherewithal to support trade and investment development with spillovers to the small and medium scale sector.

3.2.2.3 It would therefore make sense to consider an appropriate vehicle within FEALAC to encourage the trading houses to act as business webs that can expand into the small and medium scale sector. This will require FEALAC member countries to consider working closely through the appropriate Japanese public and private sector channels to develop a network that can translate into realizable business.

3.2.3 Seek a European conduit for networking and business development

3.2.3.1 The relevance of Europe to the promotion of trade and investment opportunities between the two trans-Pacific regions of Latin America and East Asia is seldom addressed. Nevertheless, for many companies, the European connection provides the initial entry point into trans-Pacific trade. Some of this is informal. For example, some of the young Latin American entrepreneurs who have started businesses in East Asia dealing with Latin America, came to the region via networking in European business schools. Asian colleagues introduced them to opportunities in East Asia.

3.2.3.2 Part of this blind-spot exists because much of East Asia's traditional business networks are with North Europe, whereas European links with Latin America are largely with South Europe and the Mediterranean belt. But businesses are learning to exploit these networks. For example, Chilean premium wines gained access into the Japanese market by an introduction by French wine sellers who had lost sales because of Japanese antipathy towards French nuclear testing in the Pacific. This example also illustrates the complex global political and economic interdependence which increasingly characterizes international business networks.

3.2.3.3 Thus an important channel for developing cultural sensitivities, and creating wider relationships, is through South European countries such as Spain, Portugal, France and Italy. It is important to understand that some of the large investors in Latin America are also from these countries. Examples include the telephone companies, automotive manufacturers, designers and fashion goods. FEALAC, therefore, also needs to look to a European launch pad for access into Latin America and vice versa. Creating the wider networks implies bringing together businesses, educational and research institutions, and public sector bodies onto a joint platform that incorporates European participants.

3.2.3.4 An awareness of the European dynamic would allow a focus on low-cost networking opportunities. For example, international trade fairs held in Europe often attract business participants from both Latin America and East Asia. It would be a relatively simple matter to organize a FEALAC-sponsored event, such as a cocktail, or breakfast session.

3.2.4 Facilitate business culture sensitization through pooled networks

3.2.4.1 The most difficult and amorphous element in the cache of immediate-term policy measures is that of business culture sensitization. It begins with the need to understand languages – English, Spanish and Portuguese. Operating in Latin America is simply not possible without a reasonable fluency in Spanish, and in Portuguese if dealing with Brazil. Similarly, for those from Latin America dealing with East Asia, there is a need to have a working knowledge of English. Within FEALAC, therefore, there has to be a push for creating a network of business language capabilities.

3.2.4.2 Business culture also varies widely. Obtaining access into the Japanese market is a long process requiring several face to face meetings, while access to Hong Kong, China or the Southeast Asian markets is driven largely by pricing propositions on a short-term mindset. Contracts only form the starting base for business development in East Asia, all else hinges on the strength of personal relationships. Doing business in Latin America, however, is driven largely by the norms of contractual obligations as businesses there are more European and American in their outlook. Cross regional education in business culture is essential and this has to be introduced in some form into FEALAC business chambers.

3.2.5 Explore and extend non-business global linkages for FEALAC

3.2.5.1 While direct business linkages are important, the longer-term social, educational, and cultural connections are also critical. Linkages amongst tertiary educations and research institutions, particularly capitalizing on postgraduate business courses, will support greater East Asia – Latin America relationships. This will also require the introduction of appropriate curricula in both regions to improve the awareness of geographies, cultures, economies and political contours. Educational institution networking between East Asia and Latin America has to be improved considerably if there is to be greater appreciation of opportunities, cultural nuances and political differences.

3.2.5.2 Similarly, tourism networking has to be improved. This includes personal introductions that can translate into business opportunities. At a further level tourism infrastructure development and promotion supports and strengthens business relationships through better travel facilitation, hotels, English-speaking capability, development of business centers and promotes the expansion of soft infrastructure.

3.2.5.3 The need for improved East Asian diplomatic representation in Latin America and vice versa cannot be underestimated. Businessmen require the services of their diplomatic and trade offices whenever they are in emerging markets or in relatively unknown countries where language and cultural differences are distinct. This was stated explicitly by several businessmen and European businessmen now have an advantage since they can approach any EU diplomatic mission to resolve loss of travel documents, support from trade representative missions and the like.

3.2.6 Facilitate telecommunications connectivity and cheaper accounting rates

3.2.6.1 Much work has already gone into telecommunications connectivity and the charging rates throughout the Pacific region through different multilateral bodies such as APEC. But for FEALAC business these measures need to be expedited and resolved as quickly as possible if business connections are to become more concrete. The need for mobile phone roaming access and cheaper call accounting rates is essential to allow business to operate competitively.

3.2.6.2 As many of the telecommunications providers within FEALAC are either state-owned or of mixed state and private sector equity ownership, there is a need to consider some forum within FEALAC that can foster an urgency to resolving these concerns. Part of the problem relates to ownership structures where the technology, which may be of limited coverage, is tied to that offered by one or more of the equity owners. Expanding roaming access and having compatible technology may therefore involve significant investment expenditure, but it will also provide investment opportunities for the private sector.

3.2.7 Work towards increasing air and sea transportation frequencies and reducing costs

3.2.7.1 There has been a wealth of documentation[8],[9] on the transport linkages between East Asia and Latin America. There is, without doubt, insufficient direct air connectivity between the two regions. As intimated earlier in this report, the current preferred routes to Latin America are either through Europe or through North America. A fledgling route via South Africa to Argentina, though popular particularly for business travelers from Southeast Asia and Australia, has been a casualty of the 1997 Asian economic crisis. Current attempts to revive it appear centred on Australia as an East Asian axis.

3.2.7.2 What all routes have in common, however, is a need to seek a cheaper and more cost effective pricing regime to create growth in traffic volumes that can justify lower pricing in the longer-term. With regard to the North America and Europe routes, much will depend on how four hubs – Los Angeles, Miami, Madrid and Frankfurt – will position themselves competitively to support trade with East Asia. It may well be worth considering other more reachable hubs for FEALAC trade such as transshipping through Sydney, Auckland, Singapore, or Hong Kong as alternatives. This calls for discussions amongst national flag carriers and the different civil aviation authorities to consult within a common forum to seek commercially viable options through alternative arrangements.

3.2.7.3 Similarly for shipping, the current access to East Asia from the east coast of Latin America, via the Cape of Good Hope, is only slightly longer than that taken for sailings across the Pacific. Hubbing now takes place largely at Los Angeles for Pacific sailings. While these arrangements are adequate, the more pressing concern that was raised related to efficiency of port management in Latin America. In some ports there was inadequate infrastructure to support faster turnarounds while in some others, inadequate skills to operate sophisticated equipment[10].

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[8] *JBIC-ADB-IDB Seminar, Regional Cooperation in Asia and Latin America Report, Keidanren, Tokyo, November 2001*

[9] *Japan Bank for International Cooperation, "MERCOSUR Experience in Regional Freight Transport Development", Research Institute for Development and Finance, JBIC, Tokyo, March 2002.*

[10] *Interviews*

3.2.7.4 Improved port management capabilities are sorely needed within several of the FEALAC countries. But there are also some highly efficient port managers within the FEALAC member countries. Port management and skills improvement programmes need to be designed for FEALAC, taking into account language and cultural sensitivities, and supported by the appropriate member countries with the capabilities to do so.

3.3 Conclusion

This report has highlighted several concerns that affect trans-Pacific FEALAC trade and investments. Many of these concerns act at business unit level and many companies have been active in trying to resolve them through their own channels. But enhancing trans-Pacific FEALAC trade and investment is a challenging task in the best of circumstances and even more so in the current environment. The magnet of China for both East Asia and Latin America will in itself enhance economic linkages between the two regions. But this may well be at the expense of the other countries within the group. Thus, an active process of engagement between countries within the group and across the Pacific is all the more pressing. The policy suggestions in this report take the theme that they must be low cost yet have high impact over the short to medium term. Such an approach will be subtle and more effective, with the public sector only providing seed resources while allowing the private sector to take the lead.

APPENDIX

COMPANY : ABITCOM (A-1)
COUNTRY : AUSTRALIA
INDUSTRY : TRADE FACILITATION

Company Capsule

ABITCOM or "Australia - Brazil International Trade and Commerce", with an office in Melbourne, Australia, specializes in assisting Brazilian companies to export their products to Australia, and vice versa. The company depends almost entirely on its website to attract potential clients.

Founded in 2000, the company currently maintains a database of more than 5000 Australian and Brazilian companies within diverse industry sectors from edible oils and office equipment. ABITCOM offers its clients a broad range of services centered around the facilitation of cross-market product penetration or materials sourcing between the two countries. Consultation and representation services include:

- Facilitating import-export partnerships between Brazilian and Australian companies
- Supplier and materials sourcing
- Advice on Import/Export procedures and legal constraints
- Market and feasibility testing of products
- Support services (necessary import documentation and arranging for insurance, freight forwarding, advertising advice)

COMPANY : AGL GROUP (A-2)
COUNTRY : AUSTRALIA
INDUSTRY : ENERGY

Company Capsule

Established in 1837 by private interests to light the streets of Sydney using gas, the Australian Gas Light Company (AGL) has grown into a group of companies that has diversified into natural gas networks, infrastructure management, power generation, energy retailing, LPG production and distribution, and most recently telecommunication networks. From Australia it expanded into New Zealand and Oceania.

The AGL group's primary focus is on winning leadership in the Australian and New Zealand energy markets of gas and electricity. In anticipation of energy deregulation, which will enable every energy user in Australia - from the largest industrial customer to the smallest home user - to have the freedom to buy their gas or electricity from any energy supplier they choose, AGL has focused its business strategy on becoming a total energy supplier and the supplier of first choice. Its investments in the telecommunications industry anticipate the opportunity to sell its retail energy customers' telecommunications services as well.

The Latin American Connection

While the AGL Group has concentrated for most of its history on Australia, New

Zealand, and the Pacific Islands, it began a search for an international asset in the mid-1990s, resulting in the acquisition of 50% of a Chilean gas company, Gas Valpo. In July, 2000, AGL increased its share of Gas Valpo to 100%. Gas Valpo is the largest regional natural gas distributor in Chile. Situated in the coastal city of Valparaiso, the company distributes and markets natural gas to 20,000 residential, commercial and industrial customers in the coastal region west of Santiago. Gas Valpo has recently won a 15-year gas supply and conversion contract with the El Teniente copper mine and Caletones processing facility, owned by the Chilean company, Codelco. This contract will enable Gas Valpo to expand its boundaries to sell gas.

COMPANY : BHP BILLITON LIMITED (A-3)
GLOBAL HQ : AUSTRALIA
INDUSTRY : MINING CONGLOMERATE

Company Capsule

BHP Billiton, currently the world's largest diversified resources group, is the result of a major merger in 2001, of the Australian (BHP) and British (Billiton) mining companies. It mines copper, iron, gold, and coal, and has proved oil reserves of 590 million barrels. The company plans to spin off its steel operations in 2002 and to invest up to $4 billion over the next five years to develop its oil and gas interests.

The organizational focus of the group has been arranged into categories called Customer Service Groups (CSGs) like petroleum and aluminum. They also have an active exploration and development program and strategically placed corporate and marketing offices around the world. The group emphasizes its quality portfolio of long life/low cost resource assets, efficient asset utilization, strong cash flow and balance sheet with access to the global capital market (which gives them the flexibility to pursue new investments) as competitive advantages.

Latin American Connection

Latin America is one of BHP Billiton's three major resource production centers. The Latin American countries where these resources are produced and their major markets are detailed in the box below.

Customer Service Group	South America Production	Primary Markets
Base Metals	Chile, Peru	Asia Pacific, Europe
Carbon Steel Materials	Brazil	Asia-Pacific, Europe, US
Stainless Steel Materials	Colombia	Asia-Pacific, Europe, US
Petroleum (Oil, Gas, LNG)	Bolivia	Asia-Pacific, Europe, US
Thermal Coal	Colombia	Asia-Pacific, Europe, US
Aluminum	Brazil	South Africa, Europe, US,

The Latin American market, while critical to the group in terms of production, is quite insignificant to the group's turnover. In comparison, Asia Pacific represents about 29% of the group's turnover with Korea (5%) and Japan (13%) being the largest contributors[11]. It is therefore not surprising that one of the group's two global marketing offices is in Singapore, with the Asian energy market as its main focus, built around coal, oil and gas, and carbon steel-making raw materials.

[11] *Correct as of 30 June 2001*

COMPANY : ECONOMIC ANALYTICAL UNIT (EAU) (A-4)
COUNTRY : AUSTRALIA
INDUSTRY : GOVERNMENT INSTITUTION

Initially called the East Asia Analytical Unit (EAU), it was established in 1990 as the main agency within the Australian Government responsible for publishing analyses of major economic and political issues in Asia. It is part of the Department of Foreign Affairs and Trade (DFAT). In 1999, the Unit's research scope was expanded to include important emerging market issues outside East Asia, and so in November 2001, it was renamed the Economic Analytical Unit (EAU).

Staffed with seven professionals, the EAU also contracts a range of consultants with specific areas of expertise. It draws on a wide range of data and information sources, including Australia's diplomatic and trade missions around the world. The Unit produces reports and briefing papers intended to assist analysts and decision makers in business, the Australian Government and the academic community.

To date, the EAU has released 27 reports on major issues related to Australia's trade and investment policy interests. In 2001 it published a three-hundred page report on Latin America: Investing in Latin American Growth: Unlocking Opportunities in Brazil, Mexico, Argentina and Chile.

COMPANY : HOLDEN LTD (A-5)
COUNTRY : AUSTRALIA
INDUSTRY : AUTOMOTIVE

Company Capsule

The Australian subsidiary of General Motors, Holden Ltd's main business is the manufacture and distribution of motor vehicles, engines, components and parts. The primary focus is on building market share within Australia. Holden is currently the market leader with about 22 percent of the Australian automotive market. The company is also developing its vehicle export markets, which currently totals about 30,000 a year. Holden plans to expand that to 50,000 by 2005. The company's primary export focus will be to develop its component sales and to provide specialist engineering services to support GM products in the Asia-Pacific. In terms of vehicle exports, Holden has had some success in penetrating the Middle Eastern markets.

Holden's main export strength comes from its ability to leverage on GM's branding presence and distribution network, and also from its extremely flexible automotive operations which allow for small volume manufacturing and design to penetrate niche markets like the Middle East (where air conditioning systems were calibrated to deal with extremely high temperatures), and niche categories like fully-fitted police cars for export. Holden also benefits from Australia's abundance of light metal ores (bauxite and magnetite) and aluminum supply, which will allow the company to position itself as a competitive exporter of light metal automotive components. The automobile industry in Australia also benefits from generous government policies (like lowered tariffs for assemblers) and special grants for automotive research and development.

Latin American Connection

Holden exports components to Chile and assembled cars to Latin American countries in general, marketed under the Chevrolet brand (which GM also owns). Latin America is still a relatively new export market for Australian vehicle assemblers and still represents less than 4% of the total export market. For Holden, while the Latin American market is certainly not in the forefront of its export growth priorities, the market is considered significant to the company and they will exploit opportunities there as they present themselves. Increasingly, Holden has to now fit into GM's global strategy of repositioning in the different markets thereby losing its special Australian identity.

COMPANY : HOYTS CINEMAS (A-6)
COUNTRY : AUSTRALIA
INDUSTRY : CINEPLEX THEATRE MANAGER

Company Capsule

Founded in 1908, Hoyts Cinemas is Australia's oldest and largest theater chain, operating over 1,800 screens throughout Australia, New Zealand, USA, and South America. It was the first company to build multiplex cinemas in Australia and New Zealand and it also pioneered concepts like premiere seating and internet ticketing. Hoyts is currently 98.7% owned by Australian media mogul Kerry Packer through his privately held Consolidated Press Holdings. Hoyts is still among the top 15 largest cinema chains in the world.

Latin American Connection

In 1994, Hoyts cinemas got a capital boost from several investment firms and it spent the funds on an ambitious global growth program, doubling the size of the company. The company went public in 1996 and also signed a partnership with Cinemex, a Mexican cinema chain which has more than 40% of the cinema market in Mexico City. Hoyts expanded internationally in 1997 and 1998, opening theaters in Chile, Argentina, the UK, Austria, Germany, and Mexico.

The company previously had about 2,500 screens but later scaled back its expansion plans, mainly in the US and South America, and exited Europe completely in an effort to boost earnings. It currently maintains its interests in these South American countries (Mexico, Brazil, Uruguay, Chile and Argentina) through a merger of its South American operations with US group General Cinemas. Its theatre complexes are located in main shopping malls where the company has established corporate marketing alliances with other companies.

COMPANY : IDP EDUCATION (A-7)
COUNTRY : AUSTRALIA
INDUSTRY : EDUCATION SERVICES

Company Capsule

IDP Education Australia (IDP) is a world leader in the international education and development services industry. It operates within 31 countries representing and promoting over 500 Australian educational institutions ranging from primary schools, English language schools to universities. It is an independent non-profit organization owned by 37 Australian universities. IDP Education Australia operates five different business activities:

1. International student services
   – this involves providing information, advice and support for international students considering an education in Australia. Through this operational arm, the organization actively recruits students for Australia's institutes of learning.
2. Development services – providing development assistance in various areas via funding from international organizations like the ADB
3. Assessment and evaluation services
4. Market research and consultancies
5. Graduate services – job placement services for international alumni from Australian institutions.

IDP's success comes from its global presence built up over 30 thirty years of student recruitment, promotion, marketing and peripheral services. Management has recently concluded a restructuring of the company to consolidate country operations.

The East-Asian countries remain the IDP's key growth countries, as they post high growth rates on top of their historically large annual base. Furthermore, the company has made important headway by securing the only country national license for student recruitment in China. Plans are underway to enter, expand and consolidate European, Japanese and other established markets.

The Latin American Connection

As of 2001, the company had representative offices in Colombia, Brazil and Mexico. IDP generally measures its success in terms of number of students recruited each year. The Latin American countries have recently provided IDP's highest growth rates (most probably because of the low starting base). IDP has no immediate plans to expand its Latin American network, largely because of the distance, and hence travel time and expense of administering the operations from Australia.

COMPANY : COMPANY: BRAZIL ORG (A-8)
COUNTRY : SINGAPORE/BRAZIL
INDUSTRY : TRADE FACILITATION

Company Capsule

BRAZIL ORG is a start-up company (founded in 2001), based in Singapore, which represents Brazilian companies looking for market openings in Asia. Founded by two young entrepreneurs, the company offers one-stop, personalized services to Brazilian companies wishing to sell their products in Asia, particularly Southeast Asia. One of the founders became acquainted with the market potential during the course of his MBA studies in France, when he was introduced to Singapore by a fellow student.

BRAZIL ORG represents a new breed of trading company, characterized by its technology-savvy approach to marketing, its small size, and its sophisticated market analysis. This is reflected in the types of companies it represents.

One example is the Brazilian Native brand of organic products, particularly organic sugar and organic coffee. The brand is owned by the Balbao organisation, a highly professional family company. The company has many organic projects, including an industrial-scale production of organic sugar, called the Green Cane Project. The company is well-plugged in to the world organic movement, receiving certification from Farm Verified Organic (FVO/IFOAM) from the United States, and the EcoCert International in Europe, and the ICS in Japan. In addition to organic sugar and coffee, the company also produces organic soya beans.

The organic movement is well established in the USA and Europe, and BRAZIL ORG is betting that Brazilian organic products can ride the wave of ecological awareness amongst middle-class Asians.

COMPANY : EMBRACO S.A (A-9)
COUNTRY : BRAZIL
INDUSTRY : COMPRESSOR MANUFACTURING

Company Capsule

Established in 1971, Empresa Brasileira de Compressores (EMBRACO S.A.) is headquartered in Santa Catarina and specializes in manufacturing hermetic compressors. The firm belongs to the BRASMOTOR Group, which is in turn majority-owned by the Whirlpool Corporation (USA). EMBRACO has ISO 9001 certified plants in Brazil, Italy, China and Slovakia. It also has offices in the USA and Singapore in addition to a number of strategically located distribution centers and serves more than 80 countries worldwide. Leading the world market for hermetic refrigeration compressors, EMBRACO S.A. reached consolidated net sales of US$ 646 million in 2001 and supplied approximately 25% of global demand.

The East Asian Connection

The Beijing Embraco factory in China is a joint venture started in 1995 with the Beijing Snowflake Electric Appliance Group Corp. The business unit in Singapore was opened in March 2000, to promote sales services and technical assistance to the Asian household and commercial refrigeration manufacturers, as well as to build up a distribution network for the region's after-sales market.

Embraco plans to retain its leadership in the South American market, with North America and Europe playing a key role to its continued success. The Asia-Pacific, however, remains the market of the future (especially China and India) given the aggressive market share gains that its owner, Whirlpool (a major buyer of Embraco compressors) is forging in these countries via the expansion of its distribution networks. Embraco expects a spurt in consumer demand from India and China in 2002, while for the entire region, industry demand is expected to match 2001 levels.

COMPANY : EMBRAER (A-10)
COUNTRY : BRAZIL
INDUSTRY : AIRCRAFT MANUFACTURING

Company Capsule

Embraer is one of Brazil's fastest growing companies. At the moment, it is the fourth largest aircraft manufacturer in the world with some 34% of the global regional jet market. Founded in 1969, it currently derives 85% of its revenues from regional jet sales, 7% from military aircraft, and 8% from providing services to other companies. A leading group of European aerospace companies jointly owns a strategic stake (20%), enabling the introduction of new technology and products while enhancing sales prospects.

The East Asian Connection

While over 90% of its aircraft are exported to the US, the potential of the Asia-Pacific region as an export market is promising. Two offices were opened, one in China and one in Singapore (regional Headquarters) just a few years ago. It has also has been increasing its presence in the Asia-Pacific region via marketing activities in Asia's main air shows and by competing in the small to mid-size regional jet market where it is looking to increase its market share in this competitive space over the next ten years.

Embraer's strategy is to concentrate on its niche, which is smaller regional-sized aircraft and that is precisely where they are gaining market share. For example, short domestic routes with an increased consumer demand for flight frequency present clear opportunities for small aircraft manufacturers.

Within the East Asian region, China remains the key market for the Brazilian manufacturer. However, while services between large Chinese cities have been developed using larger aircraft with multiple frequencies, many medium cities in China are either underserved or not served at all. As a result, secondary hubs need to be developed. East Asia is still dominated by aircraft of 150 seats or more and a regional airline industry has yet to be developed in full.

In February 2002, Embraer revised its 10-year outlook on demand for regional jetliners. Due to the Sept. 11 terrorist attacks in 2001, Embraer lowered the projected demand it sees for regional jetliners from 4,900 to 4,000 (roughly a 20% reduction). 500 of these 4,000 regional jets will be placed in the Asia Pacific region, with the region representing 15% of future regional jetliner growth over the next 10 years. China will account for approximately 250 orders.

COMPANY : ADVOCACIA MASATO NINOMIYA (A-11)
COUNTRY : BRAZIL
INDUSTRY : ADVOCATES AND SOLICITORS

Company Capsule

Advocacia Masato Ninomiya (AMN) is a law firm based in Sao Paulo, Brazil founded by Masato Ninomiya, who is a naturalized citizen of Brazil born in Nagano, Japan. Ninomiya immigrated to Brazil when he was five-years old. He holds a professorship in the Law Department of São Paulo University and is a visiting professor in Japan at Tokyo University and Keio University. He is the Director of the Japanese Brazilian Immigration History Museum (Museu Histórico Da Imigracão Japonesa No Brasil) and Vice President of the Japanese Brazilian Cultural Center (Sociedade Brasileira De Cultura Japonesa) in São

Paulo, Brazil. Dr. Ninomiya is also author of numerous books and professional articles, and a well-known community leader in Brazil who is involved in the improvement of Brazilian workers' conditions in Brazil and Japan.

The legal team comprises nine professionals with backgrounds drawn from international organizations, academia, financial institutions and government agencies. Apart from having a strong traditional corporate law, commercial litigation and private international law practice, AMN provides specialized legal services in areas of intellectual property, manufacturers, traders, service providers, international law firms and patent firms. Owing to the partner's strong ties to the ethnic Japanese community in Brazil (naturalized Brazilians of Japanese descent form a sizeable population of Brazil), AMN has a particularly strong Japanese client base outside of Brazil. The Asahi Bank, Banco de Tokyo-Mitsubishi and Hisamitsu Pharmaceutical Co are some of such clients.

COMPANY : PETROBRAS (A-12)
COUNTRY : BRAZIL
INDUSTRY : PETROLEUM

Company Capsule

Petróleo Brasileiro S/A (Petrobras) is an integrated company operating in the exploration, development and production, refining and processing, trading and transportation of crude, oil products, natural gas, and other fluid hydrocarbons in South America and abroad. Based in Rio de Janeiro, Petrobras is the largest publicly-traded oil company in South America and also has offices in London, New York, Japan and most recently a representative office in Singapore. According to its current organizational structure, the company now operates in four business areas - E&P (Exploration & Production), Supply, Gas & Energy and International.

Much of Petrobras strategic plans for the future includes focusing E&P efforts mainly on Latin America, the Gulf of Mexico and Western Africa. The company intends to integrate the refining, marketing and distribution markets in South America, ensure refining capacity in the USA and in the Caribbean, and to pursue a leading position in the Southern Cone natural gas market. The company also aspires to develop its ties to gasoil producers. Petrobras imports an average of 250,000 tons a month of gasoil, although volumes vary by season. Existing gasoil suppliers are primarily in the Middle East, although Petrobras has previously purchased some cargoes from Singapore and South Korea.

The East Asian Connection

In the last five years or so, Petrobras has found a project financing partner in Japan. The stated aim of the Petrobras office in Tokyo is to forge a closer relationship with the financing agencies based there and to create new opportunities for cooperation.

Most recently, Petrobras has opened a representative office in Singapore to facilitate its crude and low sulfur fuel oil sales. For the time being, however, the Singapore office will not conduct trading activities as government regulations disallow this for representative offices. In the past year, Petrobras has exported an average of one cargo a month of its heavy, sweet crude to the East of Suez region, with South Korean and Chinese refiners among its customers. Petrobras also exports about 150,000 metric tons a month of fuel oil, but only a small percentage of it comes to East Asia.

COMPANY : BLUE TREE HOTELS (A-13)
COUNTRY : BRAZIL
INDUSTRY : HOTEL MANAGEMENT

Company Capsule

Blue Tree Hotels had its start in the hotel operator, the Caesar Park Group, one of the most prestigious hotel companies in Brazil. In 1992, Chieko Aoki, the President of Caesar Park Hotels & Resorts, launched Caesar Towers Management Company to operate 4-star hotels within the Group. Five years on, Aoki obtained 100% ownership of Caesar Towers (with 6 hotels under its operation), and resigned from the Group to run it; and thus was Blue Tree Hotels formed. Funcef, the second largest pension fund in Brazil has 20% stake in the company, and has further invested in four upscale hotels that are managed by Blue Tree Hotels.

Today, Blue Tree Hotels' portfolio of 30 hotels and resorts in Brazil, either in operation or in development, will supply a total of 6,500 plus hotel rooms, meetings and convention space for up to 13,800 guests and 5,200 employees. These numbers reflect a compounded growth rate of over 480 percent since Ms Aoki assumed leadership of the company in 1997. Blue Tree Hotels plans to aggressively increase the current number of hotels to 70 by 2004. This is based on expectations of increasing business and event tourism in Brazil and a commensurate demand for quality hotels.

Because of Blue Tree's Japanese connections, Asian business visitors to Brazil are a natural target client group although the largest guest numbers are made up of domestic businessmen. Blue Tree Hotel's niche is in the business sector where it competes with the well-known international brand names such as Hyatt and Hilton.

COMPANY : CITIRAYA INDUSTRIES PTE LTD (A-14)
COUNTRY : BRAZIL/SINGAPORE
INDUSTRY : WASTE DISPOSAL

Company Capsule

Citiraya Industries Pte Ltd. is a Singaporean company established in 1992 to recycle and process electronic scrap in an environmental-friendly manner. While they have the full capability for asset recovery, dismantling and recycling of all electronics scrap and rejects products, the heart of the business is the recovery and refining of precious metals. Some of the materials they recycle are x-ray film, LCD monitors, toxic waste, chemical waste, telecommunications scrap, electronics scrap, and automobile scrap. In addition, they also provide consultation services. Furthermore the company provides logistics support for waste collection and also has a comprehensive R&D protection service to ensure intellectual property security for sensitive industries like telecommunications. Citiraya's primary method of operation is through partnerships with firms such as Nokia in Singapore and Nortel Networks in Brazil where waste management needs are outsourced to Citiraya.

Citiraya operates offices and/or recycling plants in several Asia-Pacific countries (Korea, China, Thailand, India), in Europe (UK, Scotland, and Italy), and in Brazil. The company is now looking forward to further expanding its branches in countries with a high incidence of electronics waste generating firms.

Latin American Connection

Citiraya's Brazilian operation currently centers on Sao Paulo and Campinas primarily to service the two Nortel Network sites located there. Nortel's electronic waste is sold to Citiraya, which recovers the precious metals and then ships it to Singapore. In this instance, not only is electronic waste recycled but also organic waste, paper, plastic, aluminum and glass. Some of the recycled material is diverted to community support (local charities, orphanages, and schools)

COMPANY : PADO S.A. (A-15)
COUNTRY : BRAZIL
INDUSTRY : LOCK MANUFACTURER

Company Capsule

Founded in 1936, Pado S.A. has gone from operating in a 20 square meter room to their current 22,000 square meter production and administration headquarters in Cambe, Brazil. The showroom and sales headquarters remain in Sao Paolo. With more than 500 Swiss and Italian machines, the factory operates six different micro factory sections producing more than 7,000 different semi-finished components. Pado manufactures 4 groups of products; padlocks, mortise locks, hinges massive and stamped, and dead bolts.

Pado currently leads the Brazilian padlock market with 50% of the market share, and retains about 30% of the domestic general lock market. The export market absorbs about 15% of production, which goes to hardware resellers and agents around the world. Pado does not maintain any representative offices in Asia-Pacific but works through trading companies like ABITCOM in Australia.

COMPANY : PERDIGAO (A-16)
COUNTRY : BRAZIL
INDUSTRY : FOOD PRODUCTION

Company Capsule

Formed in 1934, PERDIGÃO is a leading Brazilian processor of poultry and pork. The company owns farms, slaughterhouses, animal-feed factories, incubators, and meat processing stations. Most of its sales come from pork and beef sold domestically, followed by exported chicken products. The company has made a push to create and sell more frozen meats, pastas, cheese sticks, and pasta-based prepared meals. It also sells frozen vegetables and fish. The company has averaged around 14% annual growth over the past 7 years.

While Brazil has traditionally accounted for 70-80% of its sales, the export sector has become increasingly important as evidenced by first quarter 2002 results. Reaching out to its South American neighbours, Europe, Asia, and the Middle East, export revenue represented 40% of the net sales, with a 32.6% increase in volume. While domestic market revenues grew 19.6% Perdigao's strategy, adopted for exports, has emphasized processed products which have obtained good increases and now represent 76% of the revenues of the export market.

The company's current strategy is to consolidate its domestic market sectors while expanding into the Brazilian border states. Key investments into new production facilities and distribution centers support this goal. Efforts on the export side are just as robust with Perdigao opening its first European distribution center to capitalize on the favorable exchange rate and the opportunities offered by the outbreak of foot and mouth, and mad cow diseases on the continent. On the product side, Perdigao's strategy is to move to higher value add categories such as processed food.

The East Asian Connection

The main increases for the export market were obtained in East Asia (up 92%) representing 36% of the export revenues, leaving Europe with a 27% share and the Middle East with 18%. With its exports serving over 70 countries, the main East Asian markets for Perdigao are Hong Kong, Indonesia, Japan, Philippines and Singapore. Furthermore, with a stellar growth performance from East Asia in the first quarter, the company is positioning to further penetrate and capitalize on the recent gains in this market.

COMPANY : SUCOS DEL VALLE (A-17)
COUNTRY : BRAZIL
INDUSTRY : READY TO DRINK JUICES

Company Capsule

SUCOS DEL VALLE is located in Sao Paulo, Brazil, and specializes in the manufacture and sale of ready-to-drink (RTD) juices. The "Del Valle" brand originated in Mexico[12] and has more than 50 years experience in the RTD juice market, employing 4000 people worldwide. They are market leaders in Mexico, Brazil, Venezuela and Jamaica and the third fastest growing imported brand in the USA. Jugos del Valle is one of the most aggressive fruit juice producers in South America with eight plants in Mexico, one in Puerto Rico, another in Brazil, and has plans to open another one in Argentina. They have also started developing markets in Mauritania, Cape Verde, Angola, Japan and Iran, with exports making up 15% of their total sales (they export to 26 countries in total).

In its fifth year of business, Del Valle's Brazilian subsidiary **Sucos del Valle** saw its turnover increase 100% to around R$120mil in 2001. Its US$35mil plant in Americana (Sao Paulo) produced 55mil liters of juice in 2001, increasing its Brazilian market share from 15.7% in 2000 to 40% in 2001. **Sucos del Valle** intends to increase its line of products this year and to continue its marketing initiatives, which began last October. In order to reinforce sales to restaurants and fast-food chains, the company is negotiating partnerships with such clients, who represented 25% of its sales in 2001. The company has recently formed a partnership with Pizza Hut in Sao Paulo. From the 55mil liters sold in 2001, 75% was through supermarkets, convenience stores and groceries. The company also exports to Paraguay, Uruguay, Argentina, Puerto Rico, Iran, Japan and Venezuela, with exports representing about 10% of turnover in 2001 (expected to reach 15% in 2002).

As a whole, North and South America remain Del Valle's key markets. However, when the recession hit Latin America in the second half of last year, its domestically focused businesses cooled off considerably. Jugos del Valle have also entered negotiations to sell an equity stake to U.S. soft-drink giant PepsiCo.

[12] Jugos Del Valle is the name of the Mexican Parent Company

COMPANY : CELULOSA ARAUCO Y CONSTITUCION S.A. ("ARAUCO") (A-18)
GLOBAL HQ : SANTIAGO, CHILE
INDUSTRY : FORESTRY AND LUMBER PROCESSING

Company Capsule

Arauco is one of the world's largest forestry enterprises in terms of plantation size, production of market kraft woodpulp, and lumber processing. Arauco has forest plantations and industrial and research facilities located mainly in Chile and Argentina. In Chile, Arauco owns 595,000 hectares of timberland, with an additional 79,000 hectares in Argentina. In addition, Arauco owns and operates four mills which have a combined annual capacity of 1.5 million tons of woodpulp. It also owns eleven sawmills producing 1.8 million cubic meters of sawn timber annually.

Arauco maintains its position as a world leader in its industry through a combination of cost leadership, operational efficiency and high productivity. In order to lower risks and broaden opportunities, Arauco has also implemented a policy of geographical diversification in its export markets. As of 2001, nearly 50 percent of pulp sales are in Asia, with a third in Europe and the rest in North America and Latin America.

The East Asian Connection

In Asia, Arauco has sales offices in South Korea, India, Indonesia, Japan, Malaysia and Thailand. Furthermore, it has bigger representative offices in South Korea and Japan.

Sawmill products, such as mouldings and laminated panels used in building and furniture construction, are also sold primarily overseas. While 30 percent of these products are consumed domestically, the rest are exported worldwide with the United States accounting for 24 percent of exports, followed by Japan with 16 percent, and the rest spread out among the Middle East, Europe and North Africa.

COMPANY : EMPRESAS CMPC (A-19)
COUNTRY : CHILE
INDUSTRY : FORESTRY, PULP AND PAPER

Company Capsule

Founded in 1920, Empresas CMPC has been a pioneer in manufacturing pulp and paper in Chile. Its businesses cover forestry, pulp, papers, tissue and paper products. With more than 80 years of experience, its know-how in forestry, pulp, paper, folding boxboard, corrugated board boxes, molded pulp trays, tissue products, newsprint, multiwalled paper sacks, office and schoolroom paper products are known throughout 45 countries around the world. In 2000, the company recorded sales of US$1.3 billion.

The Matte family, through diversified industrial holding company the Matte Group, owns 55% of CMPC. This integrated forestry industry with 8,000 employees and some 50 subsidiaries, operates in five business sectors through the following five main subsidiaries:

- Forestal Mininco
- CMPC Celulosa
- CMPC Papeles
- CMPC Tissue
- CMPC Productos de Papel

The East Asian Connection

While most of CMPC's operations remain within Latin America, namely Chile, Peru and Uruguay, most of its products are exported overseas, Asia being one of the major destinations, especially Japan. The company's strategy has been to constantly innovate and diversify its products over the years in order to contain falling prices within the pulp and paper industry. CMPC has also been active in environmental conservation with aggressive conservation and replanting programmes as well as other social initiatives geared towards promoting sustainable development.

CMPC Celulosa is one of the world's major pulp producers, and operates three modern mills with an annual output of over 1 million tons of long and short fiber pulp. The pulp mills are located close to the forests and there are expeditious roads leading to the main Chilean ports. As early as 1965, with the outburst of demand, a campaign began in order to place CMPC's pulp in Japan, Korea, China and Europe. High demand then made it necessary to open sales offices in Tokyo and London.

COMPANY : CAP S.A. (A-20)
COUNTRY : CHILE
INDUSTRY : STEEL AND MINING

Company Capsule

CAP S.A. is a holding company. Through its subsidiaries, CAP S.A. is engaged broadly in two areas, steel and mining. Some of the company's activities include: smelting and production of steel and related products, including steel ingots, rolled steel, milling bars, angles, flat bars, thick rolled sheets, thick flat sheets, thin sheets, hot and cold rolled sheets, galvanized plates, tin plates, billets, blooms, tubular products, wire, rolls, laminated sheets, limestone, slag, coke, coke breeze and lime; mining, including the production of iron and pellets, manganese ore, manganese ferroalloys, high carbon ferromanganese and silicomanganese; distribution and trade of ferroalloys, metals, non-metallic industrial supplies, coal and scrap iron; and coordinating group company activities.

The East Asian Connection

A CAP subsidiary, CMP (Cia. Minera del Pacifico) supplies several steel-mills worldwide, the Japanese market being the most important. Other CMP markets are South Korea, Indonesia and Malaysia, United States, Germany, Belgium and China. CMP supplies the two largest steel producers in the world, POSCO with a production of 25.6 millions tons (1998) and NIPPON STEEL with a production of 25.1 million tons (1998). Another CAP subsidiary, CSH (Cia. Minera Huasco) makes several high-quality steel and coated products. Total sales for mining reached US$132 million in 2000 while total sales for steel stood at US$332 million.

COMPANY : THE CORPORACION NACIONAL DEL COBRE DE CHILE ("CODELCO") (A-21)
CORPORATE HEADQUARTERS : SANTIAGO, CHILE
INDUSTRY : COPPER

Company Capsule

Codelco is the world's top copper producer and one of Chile's largest companies, owning assets in excess of US$5.8 billion in 2000. Codelco's main business is exploring for, developing and mining copper and copper byproducts, as well as processing and marketing them. Codelco currently produces over 15 percent of total world mine copper. Codelco's main commercial product is grade A cathodes, which is sold to over 200 customers in the main international markets, through a network of subsidiaries.

Codelco is in the midst of implementing its six-year Common Plan, formulated in 2001, building on its strategic alliances with private investors and operators within Chile and abroad. The crux of this strategic thrust consists in increasing net income from US$1.4 billion in 2001 to US$1.7 billion in 2006 through the lowering of costs, increasing production and improving productivity.

The East Asian Connection

Codelco has subsidiaries in the UK, Germany, Singapore and the USA, as well as sales representatives throughout Europe, Asia, North America and Latin America. Offices in Asia include South Korea, China, Japan, India and Australia.

Codelco is pushing for greater internationalization, and China plays a critical role in this process. There has been a strong increase in sales to Asia, and China is now the largest customer, accounting for 17% of sales (with the USA, France and Korea accounting for over 10% each). Japan has slipped, only accounting for 2.9% of total copper sales in 2000.

Codelco is also working closely with the International Copper Association, which is currently promoting initiatives on stimulating copper demand among industrial sectors with the highest potential for growth (construction, generation and distribution of energy, automotive manufacturing). These markets are also located in China, India and the United States.

COMPANY : COMPAÑÍA SUD AMERICANA DE VAPORES (CSAV) (A-22)
COUNTRY : CHILE
INDUSTRY : SHIPPING

Company Capsule

One of the oldest shipping companies in the world, CSAV was founded in 1872. The largest liner carrier in South America, and growing bigger with acquisitions, CSAV transports automobiles, bulk cargo, chemicals, container cargo, and refrigerated cargo in more than 60 company-owned tugboats, containerships, and other carriers. CSAV operates dozens of domestic and foreign subsidiaries, with interests including property development and investment, stevedoring services, and airport services. Maritima de Inversiones S.A. of the Clara Group owns about 46% of CSAV.

CSAV operates through a worldwide agency network, being represented in more than 300 locations. CSAV and related companies' have a workforce of over 5000. The company offers a comprehensive service for general cargo, bulk cargo, fresh and frozen products and vehicles, using both owned and chartered vessels, and thus establishing a permanent link between the Atlantic and Pacific coast of South America, and the rest of the world.

The East Asian Connection

CSAV has strong Latin American – East Asian connections.The company provides joint services with a French shipping company between the Mediterranean, Asia and the West Coast of the U.S.; between Northern Europe and Asia; and between Northern Europe, the Persian Gulf and Asia. In May 2000, CSAV further strengthened its position with the purchase of the assets, rights and benefits of the Maltese shipping company Norasia Lines (Malta) Ltd. – Norasia — which participates in the Asia and U.S. West Coast service. In November 2000, the same associate also took over control of the firm Norasia China (Hong Kong) Ltd., which offers agency services in Hong Kong and in eight ports of the People's Republic of China.

Liner services to and from the Far East include the Andex Service, Senpac Service and PNW Service. They operate with varying frequencies from weekly to every 15 days. Together, there are 24 containerships serving Asia and the Pacific Coast of North, Central and South America, incorporating a new route between the Far East and the West Coast of Canada and the U.S.A.

COMPANY : LANCHILE S.A. (A-23)
CORPORATE HEADQUARTERS : SANTIAGO, CHILE
INDUSTRY : PASSENGER AND CARGO AIRLINE

Company Capsule

LanChile is a passenger and cargo airline, offering a broad range of transportation-related products. For the financial year ended 31 December 2001, LanChile earned US$10.8 million in net profits on US$1.4 billion sales. In 2001, LanChile was voted "Best Airline in South America" by a survey of 2.7 million passengers in Europe.

In the passenger business segment, LanChile services both retail passengers as well as third-party agents, offering flights throughout North and South America, the Caribbean, Europe, and Australia. Other ancillary products include tourism advice and on-board products. Passenger products are marketed under the LanChile, LanExpress and Ladeco brands. It has also formed bilateral agreements with American Airlines, Alaskan Airlines, Iberia and British Airways, and is a member of Oneworld Alliance.

For its cargo business segment, LanChile sells transportation services related to all types of cargo for a broad range of customers including individual cargo owners, freight forwarders, and third-party agents. Its cargo products are marketed under a number of brands, such as LanChile Cargo, Ladeco, LanCargo, South Florida Cargo, Prime Airport Services, and LanLogistics. Air cargo services constitute approximately 37 percent of all revenues.

In 2001, LanChile implemented several initiatives to consolidate its position as a strong regional player. LanExpress commenced operations in 2001 to serve the domestic Chilean market. The Company also expanded in Peru and Ecuador. Through LanPeru, the company serves two international destinations and eight in Peru. On the air cargo front, LanChile continued to expand through the creation of LanExpress as well as LanCargo. It also strengthened cargo operations in Brazil with the acquisition of a cargo handling company, Absa. It has also taken stakes in other regional freighter companies, such as MasAir in Mexico, and Florida West in the US.

LanChile channels passenger and cargo flows between Latin America and East Asia through its Los Angeles and Miami hubs, which are being expanded. To build up its cargo handling service, LanChile recently completed construction of its cargo facility at Miami International Airport. The 380,000 sq feet facility represents the largest grant of land ever awarded to a foreign carrier at a US airport.

COMPANY : MONTES (A-24)
COUNTRY : CHILE
INDUSTRY : PREMIUM WINES

Company Capsule

Montes was established in 1988 by four partners with years of experience in the art of winemaking and in the wine trade. Their aim and philosophy was to produce premium quality wines from Chile, a level of quality that they felt was absent at the time. Their premium wines quickly became the standard to follow. There were wines such as Montes and Montes Alpha, and ultra-premiums such as Montes Alpha M and Montes Folly, also the pioneers in the ultra-premium category. The large established wineries have since emulated Montes wines, creating premium wines to compete with Montes Alpha.

With five estates, totalling nearly 600 hectares of vineyards, many varieties - such as Cabernet Sauvignon, Merlot, Cabernet Franc, Carmenère, Petit Verdot, Chardonnay and Sauvignon Blanc – are produced. Montes wines are mostly exported (95% of total production) to over 60 countries in the five continents. This is rather unique as most Chilean wines are traditionally consumed domestically within the Latin American region. Export growth has been impressive despite it being one of the highest-priced wines from Chile. Key markets are the US with over 70,000 cases, followed by Europe and Asia.

Given the high quality of wines, importers and distributors include highly respected premium wine merchants and also, the top world's wine & spirits groups. Despite being a small to medium-sized winery from Chile, Montes's premium quality is recognized and supported not only by the big conglomerates, but also more prestigious smaller wine merchants. Montes' initial entry into Asia was focused on Japan and Thailand. The Japanese market entry was facilitated by French wine sellers who had lost access after Japanese opposition to French nuclear testing in the Pacific. The Thai market collapsed after the 1997 financial crisis and Montes is now trying to rebuild its position in countries with higher purchasing power.

COMPANY : ITOCHU MANAGEMENT CONSULTING (A-25)
COUNTRY : JAPAN
INDUSTRY : CONSULTANCY SERVICES TO PARENT COMPANY

Company Capsule

Founded in 1848, Itochu has become one of Japan's biggest general trading companies, achieving an unprecedented diversity in its business portfolio. Itochu is a globally-integrated corporation with offices in over 80 countries (19 offices in Japan and 141 offices overseas). Itochu is Japan's third largest sogo shosha (general trading company) behind Mitsui and Mitsubishi. Its interests include textile mills in Italy, aircraft parts sellers in the US, and breweries in China.

In fiscal year 2001, the functions of a research institute for overseas development, economic and political surveillance, together with partial functions of the finance and accounting divisions, were spun off to form Itochu Management Consulting Co. Ltd (IMC) and Itochu Shared Management Services, Inc. These companies are positioned to offer services to head office and the Group companies. Going forward, the two companies are considering provision of services to non-group companies. IMC services include market research and analysis, business support and consulting.

In 1997, Itochu reorganized its six business groups into eight, adding multimedia to one segment and creating a finance and insurance unit. Going forward, the company will continue to seek improvements by integrating under-performing subsidiaries and associated companies, in order to raise group enterprise value. At the same time, its mid-term management plan, A&P 2002, will foster development and reinforcement of core companies to maximize the synergies and values of group companies.

The Latin American Connection

The weakness of the Japanese economy has forced the company to scale back in many areas. Divesting unprofitable operations, the company is focusing on expected moneymakers such as multimedia, consumer and retail, financial services, and natural resource development.

The company has also sought out partnerships in order to offset costs incurred in new ventures: it teamed up with Japan's other top sogo shosha and Brazil's Petrobras to develop oil fields in South America. And in response to Japan's rapidly consolidating steel industry, Itochu and Marubeni agreed to integrate their steel operations in 2001 to compete more effectively. Social responsibilities also play a central role in all Itochu operations. This is exemplified by the company's acquisition of ISO 14001 certification, an international standard for environmental management systems.

COMPANY : JAPAN BANK FOR INTERNATIONAL COOPERATION (JBIC) (A-26)
COUNTRY : JAPAN
INDUSTRY : FINANCE

Company Capsule

The Japan Bank for International Cooperation (JBIC) is a lending institution that operates internationally to execute Japan's external economic policy. It seeks to facilitate the development of the Japanese as well as the international economy by undertaking to function as a lender and facilitator of financial operations. Its statutory mandate is to promote:

- Japanese exports, imports and economic activities overseas,
- Stability of international financial order,
- Economic and social development or economic stability in developing areas.

JBIC operates under the principle that it shall not compete with financial institutions in the private sector. It has two distinct operations made up of the International Financial Operations and the Overseas Economic Cooperation Operations (ODA financing). The IFO's principal role is to promote Japanese products and services both domestically and internationally while the ODA casts its nets wider to assist developing countries in their efforts to develop economic and social infrastructure and stabilize their economies. IFO offerings include export and import loans, overseas investment loans, bridging loans and equity participation. The ODA prime offering is the ODA loan which provides self-help assistance through low-interest, long-term loans to developing countries.

The Latin American Connection

In fiscal year 2000, JBIC committed a total of ¥375.7 billion to Latin America and the Caribbean of which ¥330.3 billion was disbursed through IFO lendings. Latin America obtained the second highest proportion of total loans after Asia. Projects in the region include support for an IPP Project in Mexico, loans to upgrade medical services in Brazil, and supporting private sector initiatives in telecommunications infrastructure development in Paraguay. Under its ODA scheme, JBIC made five loan commitments totaling ¥45.5 billion to the Latin American and Caribbean region in 2000, primarily related to poverty alleviation projects in Peru.

COMPANY : MITSUBISHI CORPORATION (A-27)
CORPORATE HEADQUARTERS : TOKYO, JAPAN
INDUSTRY : HIGHLY-DIVERSIFIED CONGLOMERATE

Company Capsule

The Mitsubishi Corporation ("Mitsubishi") is one of Japan's most well-known companies, and one of the world's most diverse enterprises. Mitsubishi has almost 700 subsidiaries and affiliates, and has a network of 36 offices throughout Japan and 115 worldwide. Mitsubishi has offices, distribution channels and plants throughout Asia, North and South America, Europe, and the Middle East. Amongst its diversified holdings are coffee plantations in Brazil, a chemicals plant in Venezuela and copper mines in Chile. For 2001, Mitsubishi posted a net profit of US$731 million on gross sales of more than US$110 billion.

Mitsubishi comprises broadly of seven business groups:
- New Business Initiative
- IT & Electronics Business
- Energy Business
- Metals
- Machinery
- Chemicals
- Living Essentials

The company recently concluded its MC2000 three-year corporate exercise in which it underwent internal restructuring of its corporate and management structure, as well as the reorganization of the enterprise into the new business groups described above. MC2003, launched in 2001, takes the restructuring process further by consolidating the different units that straddle old economy and new economy businesses.

Mitsubishi intends to build a growth strategy on investment in energy and natural resource areas, developing dot-commerce in the finance, IT, logistics and marketing, and new technologies such as nanotechnology, biotechnology and medical sciences.

COMPANY : MITUTOYO CORPORATION ("MITUTOYO") (A-28)
CORPORATE HEADQUARTERS : KAWASAKI, JAPAN
INDUSTRY : PRECISION MEASURING EQUIPMENT MANUFACTURER

Company Capsule

Mitutoyo is a world leader in the manufacture of precision measuring tools and devices. Since 1934, Mitutoyo has been producing and exporting to ever-expanding global markets their lines of measuring tools, such as calipers and micrometers, and precision measuring systems, such as coordinate measuring machines, contour measuring instruments, vision measuring units and optical instruments. In addition to consolidating its position in the precision instruments market, Mitutoyo is also investing in research and development into new technologies such as nanotechnology. Mitutoyo has laboratories, plants and showrooms across Asia, Europe, North and South America. It has a strong presence in Brazil, with sales offices and factories throughout the country. Its other Latin American locations are in Argentina.

The plant in Brazil was set up to produce measuring instruments for the automotive industry in response to Brazil's ban on imports on instruments during the period of import substitution. This allowed the company to develop an indigenous skills base which now can produce specialized instruments for the global market as well. Thus, the Brazil plant now assembles digital measuring instruments, and exports some hardness testers and the like in which it has a comparative advantage.

Mitutoyo has attained industry accreditation for calibration laboratories both domestically and in other countries. In Japan, Mitutoyo's Miyazaki Plant and Utsunomiya Calibration Center has acquired certification to calibrate end-standard (gauge blocks), and its Tsukuba Calibration Center has been certified to calibrate laser sources wavelengths. At its overseas calibration laboratories, Mitutoyo has obtained certification from regulatory authorities in the US, Mexico, Brazil, the UK, the Netherlands, Singapore, Germany, Italy and Switzerland. Its manufacturing plants in the UK, Brazil, the Netherlands and the US have already attained ISO registration.

In addition, since 1975, Mitutoyo has been a leader in providing measurement technology education at its Metrology Institute. Courses are run both in Japan or on-site overseas. Furthermore, engineers from overseas developing countries are accepted by the Japan International Cooperation Agency as well as the Association for Overseas Technical Scholarship.

COMPANY : NIPPON SUISAN KAISHA LTD ("NISSUI") (A-29)
CORPORATE HEADQUARTERS : TOKYO, JAPAN
INDUSTRY : SEAFOOD AND OTHER MARINE FOOD PRODUCTS

Company Capsule:

Nippon Suisan Kaisha (Nissui) is the second-largest marine products firm in Japan. Its fishing operations account for half of its sales. The company also processes frozen foods and distributes them. Other business segments include production of pharmaceuticals and cold storage. With half of its seafood sales in foreign countries, the company recently bought a 50% stake in Sealord, New Zealand's largest marine products company. It also has acquired Unilever's North American seafood businesses (the Gortons brand in the US and BlueWater in Canada). Nissui has some 45 subsidiaries, mostly in Japan, but also in about 20 other countries. Operations in South America are overseen by their subsidiary Nippon Suisan American Latina S.A., based in Chile.

Nissui has a global network of suppliers, producers and retail distribution channels. On the supply side, Nissui's fishing vessels procure their produce from regions in the Bering Sea and the North Pacific to the southern seas off Argentina, Chile, South Africa and even Antarctica. On the production and distribution front, Nissui has recently built new processing plants in locations in Vietnam, New Zealand, Anhui in China, and Chacabuco, Chile.

In addition to being a leading producer of frozen seafood products, Nissui also produces marine-based health supplement products.

COMPANY : NIPPON YUSEN KABUSHIKI KAISHA ("NYK") (A-30)
CORPORATE HEADQUARTERS : TOKYO, JAPAN
INDUSTRY : SHIPPING, TRANSPORTATION AND LOGISTICS

Company Capsule:

Nippon Yusen Kabushiki Kaisha ("NYK"), founded in 1885, is Japan's largest shipping company and forms the core of the NYK Group. The NYK Group provides a diverse range of shipping, transportation and logistics services worldwide. For the year ended 31 March 2001, NYK reported a net income of US$287 million on gross revenues of US$9.2 billion.

NYK's four core businesses focus on container transport, tramp and specialized carriers, logistics, and cruise. In addition to growing these core businesses, NYK is looking to develop its integrated logistics solutions, business and supply chain management services. In time, NYK hopes that the logistics and supply chain management services will become a sustainable fifth core business that will drive growth.

In the shipping business, NYK is expanding capacity in line with market growth, building on its reputation and leveraging on economies of scale. In 1998, NYK became a member of the Grand Alliance, together with other leading containership operators such as P&O Nedloyd, Hapag-Lloyd, Orient Overseas Container, and the Malaysian Shipping Corporation. Through this network, NYK has the right to preferential usage of major container terminals in North America, Asia and Europe. In Latin America, NYK has also begun a weekly service between Europe and the east coast of South America in cooperation with CSAV of Chile.

NYK currently runs three trans-Atlantic shipping services: Good Hope Express, Northeast Brazil Liner Service, and South America Atlantic Service. Around the Pacific Rim, NYK operates the Asia Andes Express Service and the New Margarita Express Service. These lines link both the west and east coasts of South America with Asia, Africa, North and Central America, and Europe.

In tramp and specialized services, NYK is expanding its services to Asia, Latin America and other regions where its presence is not strong. In logistics, NYK is expanding the scope and size of its network of logistics centers as well as its capabilities in land, sea and air forwarding, as well as cargo management systems.

COMPANY : SHIMIZU CORPORATION (A-31)
COUNTRY : JAPAN
INDUSTRY : CONSTRUCTION AND ENGINEERING

Company Capsule

One of Japan's largest general contractors, Shimizu's global operations are divided into three business categories: construction, both architectural and civil engineering; real estate development, primarily the leasing and sale of land and buildings; and other businesses, a category covering activities related to construction and real estate development, such as the sale and leasing of construction equipment and the provision of financial services.

The company's R&D activities include formulating new design techniques and construction methods (including developing new building procedures for use in earthquake-prone Japan). The Shimizu Group is composed of Shimizu Corporation, 65 subsidiaries and 13 affiliates. Shimizu operates worldwide and has offices in over 30 locations including two offices in Latin America.

The Latin American Connection

Most of the Shimizu Group's activities outside Japan take place in Asia, Europe and North America. The overseas service network covers more than 25 countries and includes 12 subsidiaries. Accomplishments are many and diverse. Among them are skyscrapers, luxury condominiums, production facilities for many industries and distribution bases. In the civil engineering sector, Shimizu is currently participating in high-speed rail lines, subways, bridges, power stations, highways and other key infrastructure projects.

Each year, orders are received from many sources including, but not limited to, projects receiving Japanese government financial support, projects for local government agencies, construction for foreign companies and production bases for Japanese companies. In the past fiscal year, overseas orders increased 31.0% to US$673.3 million and net sales rose 10.3% to US$696.9 million.

Operations in the Americas are centered on Shimizu America Corporation. Headquartered in Atlanta, this company also has offices in Los Angeles, Portland, New York and Detroit. Recently, this company has been meeting a growing number of orders from Japanese auto manufacturers to construct production bases in the Southeastern USA. A promising new source of demand is the growth in Japanese manufacturing in Mexico, especially in the Tijuana and Monterrey regions.