

DOING BUSINESS IN THE

ANDEAN MARKET

A Guide for Canadian Exporters and Investors



About the Guide

Doing Business in the Andean Market is designed to help Canadian companies learn about the Andean marketplace and how they can do business there. If you've never operated outside Canada but you believe that your company could do well in foreign markets, this guide will help you decide how — or even whether — you should proceed. If you're already doing business abroad, but haven't as yet ventured into the Andean region, it will help you find your way into this promising marketplace.

The Andean market is enormously varied and extremely competitive, and its unfamiliarity can make it intimidating. Nevertheless, plenty of Canadian businesses, of all sizes and in many sectors, are prospering in this remarkable region.

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1

THE ANDEAN MARKET

The five nations of the Andean region — Bolivia, Colombia, Ecuador, Peru and Venezuela — have not generally drawn much attention from Canadian exporters. Even so, the procurement of Canadian goods and services by these economies has been increasing for the past several years.



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In 2009, Canadian businesses shipped \$1.8 billion worth of goods to this market as a whole.*

Canadian firms have also been adding to their direct investments in the Andean countries. Of the total of \$4.4 billion invested in recent years, more than half has gone to Peru, with Colombia accounting for an additional \$1 billion and Venezuela for a further \$850 million. There have also been significant Canadian investments in Ecuador, especially in the mining and engineering sectors.

The region's overall economic growth averaged 5.8 per cent annually from 2003 to 2007, but the rate of expansion fell abruptly in 2008–2009 as the global financial crisis developed. The slowdown undermined the formerly steady rise in living standards, which in turn increased social and political tensions in the region.

* All currency figures are in Canadian dollars unless stated otherwise.

However, the financial systems of the Andean nations were less exposed to the high risks that hurt countries elsewhere in the world. Conditions in Peru and Colombia are fairly positive, with Ecuador, Bolivia and Venezuela in somewhat more challenging situations, and all five governments have been trying to invest in infrastructure development in order to sustain growth. As a result, the Andean economies are well positioned to resume their expansion as global trade recovers.

1.1 Future prospects

EDC sees significant export potential taking shape in the Andean countries. Peru and Colombia, in particular, can expect to see excellent medium-term and long-term growth. Throughout the region, new opportunities will appear for investment and for selling goods and services in sectors such as oil and gas, mining, infrastructure, environmental equipment and services, electrical power, agri-food, health, and information and communications technologies.

In recognition of this potential, and to facilitate Canada's growing trade and investment in the region, EDC has established a permanent representative in Lima, Peru. For contact information, please refer to page 35.

1.2 Tips for doing business in the Andean market

The following tips are applicable to the overall business environment of the region. Country-specific details appear in their respective chapters.

▶ **Establish personal contacts**

Personal contacts between you and your customers are essential to your success. Business in the Andean cultures is carried out on a relationship basis, and an element of trust has to be created and maintained between seller and buyer, or between business partners. These relationships should include key members of your company's senior management, since this will tell your customers and partners that you are committed to doing business with them over the long term.

▶ **Speak the language**

The region's business class tends to be able to speak and understand English, but having key members of your business team who can converse and write in fluent Spanish is vital to success.

▶ **Play to Canada's strengths**

Local business circles tend to perceive Canadian firms as trustworthy and competent, with strong corporate social responsibility practices. This can give Canadian businesses a significant advantage in the Andean market, especially when they work hard to live up to Canada's reputation.

▶ **Exercise due diligence**

You should exercise careful due diligence when dealing with a prospective buyer or partner in the Andean market. Investigate the company's creditworthiness, its financial record, the quality of its management, its business history and its reputation in the local and international marketplace.

▶ **Use agents or distributors**

Having good in-country agents or distributors can be a great advantage when exporting to the Andean market, since these individuals or firms will be familiar with local conditions and can represent you to the local business culture. They can also help you find customers, arrange distribution channels, handle documentation, clear your goods through customs and provide after-sales service. When choosing representatives, however, exercise due diligence and check their reputations and references very carefully.

▶ **Be diligent with regards to all aspects of Corporate Social Responsibility**

Corporate social responsibility (CSR) covers many complex issues, such as ethical business practices, transparency in doing business, environmental responsibility, investment in the communities where the company operates and respect for human rights. Given the social and economic concerns that afflict so many people in the Andean region, it is vitally important for Canadian companies to maintain the highest CSR standards when doing business there.

Corruption is an important issue in the area of business ethics. You may never encounter corrupt behaviour while doing business in the Andean countries, but it is not uncommon and you should be sensitive to its existence. Needless to say, your company should never become involved in it. Note that Canadians who become embroiled in corrupt activities, such as bribery of government officials, can be prosecuted in Canadian courts under the *Corruption of Foreign Officials Act*.

▶ **Use professionals when delivering to the market**

Customs procedures and import regulations in the Andean countries are frequently complex, time-consuming and difficult for non-experts to negotiate. It is highly advisable to use reliable international shippers and freight forwarders to move your goods to the port of entry and to employ brokers to clear your goods through local customs when they do arrive.

▶ **Be aware of Canadian export controls**

Note that some exports — primarily, but not limited to, military and nuclear technology, firearms and goods of U.S. origin — are subject to Canadian export controls and require permits if they are to be exported from Canada. Export controls are the responsibility of the Canadian Export and Import Controls Bureau (EICB).

▶ **Use the Canadian Trade Commissioner Service**

Each of the Canadian embassies and consulates in the Andean region maintains a Commercial Section staffed by professionals of the Canadian Trade Commissioner Service. They can provide valuable services to Canadian businesses that have researched and selected their target markets in the region, and can help assess market potential, identify qualified contacts and solve problems. They may also be able to put you in touch with local professionals such as accountants, lawyers, brokers and shippers, whose services you will inevitably need.

▶ **Use EDC's services**

EDC can provide many services to help you identify and develop markets in the Andean region. For details, please refer to Chapter 7, "How EDC Can Help."



2

BOLIVIA

Bolivia is the poorest and least industrialized of the Andean nations. As a result, Canada's annual export sales to Bolivia are relatively small; in 2009, for example, our exports to the country were worth a modest \$10.6 million. These exports consisted mainly of boilers and dryers, materials handling machinery, agricultural machinery, plastic processing equipment, trucks and earthmoving vehicles, newsprint and paperboard, metal moulding equipment and electrical switching equipment.



Photo © Jan Csemoch/Alamy

Trade is very important to Bolivia's economy, and although the Canada–Bolivia trade relationship is still developing, there are opportunities in several sectors, especially in the extractive industries. 2009 has seen positive developments with an increase in the country's international financial rating.

EDC has developed relationships with financial institutions and major international customers in Bolivia, and can support Canadian export deals in Bolivia on a case-by-case basis.

2.1 Opportunities for Canadian exporters

2.1.1 Mining

Mining, along with the oil and gas industry, is a mainstay of the Bolivian economy and accounts for about 40 per cent of the country's exports. Among the metals and minerals extracted are gold, silver, zinc, lead, tin, copper, sulphur and lithium. Most mining equipment is purchased abroad by private companies such as Golden Eagle International, Franklin Mining and Canada's Apogee Minerals. In demand are large and small drills, crushers, conveyors, compressors, front end loaders, bulldozers, heavy trucks, concentrators, pumps, hand tools and explosives.

2.1.2 Oil and gas

Bolivia has South America's second-largest natural gas reserves, as well as more than 856 million barrels of proven and probable crude oil reserves. Machinery, equipment and production technologies are potential sales opportunities for Canadian companies in this sector. The main foreign oil and gas firms operating in Bolivia are Brazil's Petrobras, the Spanish-Argentine company Repsol YPF, British companies British Gas and British Petroleum, France's Total, and the US Exxon Mobil Corporation. The state oil company is Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). This sector has been subject to nationalization.

2.1.3 The wood industry

Bolivia has 53 million hectares of forest, of which 32 million are reserved for wood and wood products manufacturing. Most of the harvested timber is used for furniture and value-added wood products, rather than sawn lumber. The industry is seeking new technologies to update its production processes, and is interested in equipment, machinery and technologies that will help it achieve this goal.

2.1.4 Selling to the government

National, state, and municipal governments in Bolivia buy significant quantities of goods and services from the private sector. You must go through a local agent to bid or quote on government contracts. Bid specifications containing technical and commercial requirements are available through the relevant government body and are published in the local media and at www.sicoes.gov.bo.

2.2 Opportunities for Canadian investors

Bolivia is generally open to investment from abroad, although there are no significant incentives for foreign investors. Foreign firms are not subject to registration requirements and are not treated differently from Bolivian companies. There are legal guarantees for the repatriation of profits, the free convertibility of currency and the right to international contractual arbitration in all sectors. Nevertheless, the country's judicial institutions, bureaucracy and regulatory changes can make the investment environment a difficult one.

At present, the natural gas sector has some of the best investment possibilities. Exploration and drilling activities are likely to expand, and additional infrastructure projects are being considered.

Bolivia maintains free trade zones (FTZs) in the cities of El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre and Desaguadero. They are regulated by the National Council of Free Trade Zones (CONZOF) and are operated by private firms selected by the government through public bids.

Depending on the nature of your investment, you may need to work with Bolivian regulatory entities such as the following:

- ▶ Ministry of Labour: www.mintrabajo.gov.bo
- ▶ Ministry of Hydrocarbons and Energy: www.hidrocarburos.gov.bo
- ▶ Ministry of Mining: www.mineria.gov.bo
- ▶ Ministry of Development and Planning: www.planificacion.gov.bo
- ▶ Superintendency of Banks and Financial Affairs: www.asfi.gov.bo

2.3 Establishing your presence in Bolivia

When establishing your Bolivian presence, you should obtain assistance and advice from local legal counsel. The Canadian Trade Commissioner Service at the Canadian Embassy in Lima, Peru, may be able to connect you with the appropriate people. For contact information, please refer to page 35.

2.3.1 Establishing a business entity

Bolivian commercial law provides for several types of business entities, including corporations, limited liability companies, general partnerships, limited partnerships, joint stock companies and wholly owned subsidiaries of foreign firms. Corporations and limited liability companies are the most common options. Setting up a company will usually take two to three months. The general procedure for starting a business in Bolivia is available through the World Bank Group's Doing Business web site at www.doingbusiness.org.

2.3.2 Joint ventures

Foreign and Bolivian corporations may enter into joint ventures. A joint venture is defined in Bolivian law as a specific business venture carried out by two or more parties with separate legal licences. If you wish to set up a joint venture, do your due diligence first, and obtain local legal and accounting advice to make sure you follow the correct procedures.

2.3.3 Agents and distributors

Bolivian law does not require the use of local agents for private sector commercial sales. However, most government purchases call for local agents, who must register with various government agencies before representing you. The agent will need a written agreement or contract with your company in order to register.

2.3.4 Labour

Bolivia's labour force is stable, turnover is low and labour is inexpensive. However, the country's relatively low education and literacy levels tend to limit productivity. Unskilled workers are easy to find, but obtaining skilled people can be difficult.

Bolivian labour law guarantees workers the right of association and the right to organize and bargain collectively. Most companies are unionized, and nearly all unions belong to the Confederation of Bolivian Workers (COB). Labour troubles in the private sector are uncommon, however, and relations between foreign firms and their Bolivian workers are generally good.

2.4 Finances and taxation

The financial requirements for doing business in Bolivia will be unfamiliar to most Canadian exporters and investors. Consulting with local professionals about a trade deal or an investment is, consequently, a must. The Canadian Trade Commissioner Service may be able to direct you to the appropriate people or firms.

2.4.1 The banking system

Bolivia's banking system consists of the Bolivian Central Bank and 13 privately owned banks. Most of the latter are commercial banks, with the remainder being savings and loans organizations, credit unions and other financial institutions.

2.4.2 Trade and investment financing

Bolivian law stipulates that domestic loans must be issued exclusively against domestic collateral, so foreign investors may find it difficult to qualify for loans from local banks. As a result, most foreign investors obtain credit abroad.

Currency is freely convertible at Bolivian banks and exchange houses. There are no restrictions on currency transfers or remittances.

2.4.3 Corporate income taxes

Foreign companies established in Bolivia pay corporate income tax on their Bolivian income. The tax rate is 25 per cent. A 25 per cent surtax is also imposed on net income obtained from mining and from oil and gas extraction. In addition to this surtax, the Hydrocarbon Direct Tax adds a 32 per cent levy on oil well production. Note that Canada and Bolivia do not have a treaty to avoid double taxation. For current tax information, check the World Bank Group's Doing Business web site at www.doingbusiness.org.

2.4.4 Getting paid

The best way to ensure payment is to have your buyer provide a confirmed, irrevocable letter of credit. This type of letter of credit (LC) is issued on behalf of your customer by the customer's bank, and its validity has been confirmed by a domestic Canadian bank. Being irrevocable, it cannot be cancelled or amended without your approval. A company's ability to support such an LC can be a useful screening factor; if it can't obtain one, you should probably avoid doing business with the firm.

2.5 The legal perspective

Enforcing property and contractual rights in Bolivian courts can be a time-consuming process. This is why careful due diligence is so important — it will help avoid time-consuming legal situations.

2.5.1 Dispute settlement

If you do get into a dispute with a Bolivian customer, arbitration is much preferable to litigation. The Bolivian government accepts binding international arbitration in all sectors, and the Investment Law states that decisions and awards made under international agreements must be recognized and honoured. Always ensure that your contracts include an arbitration clause, and consult a reputable Bolivian lawyer if you decide to take a dispute to arbitration.

2.5.2 Intellectual property protection

Your intellectual property (IP) rights must be registered in Bolivia to protect them. If they aren't registered, you can't fight infringements of your IP in Bolivian courts. There are no laws at all for the protection of trade secrets.

2.6 Delivering to Bolivia

Because Bolivia is landlocked, it has arranged free transit agreements with Argentina, Brazil, Chile, Paraguay, Peru and Uruguay. The Chilean port of Arica is usually considered the best port of entry. However, overland delivery can be slow and unreliable, so air-shipping even heavy items to Bolivia may be preferable.

2.6.1 Customs documentation and labelling

To clear customs, your goods will need some or all of the following documents:

- ▶ document description form (Form 135)
- ▶ invoice
- ▶ airway bill or bill of lading
- ▶ insurance certificate
- ▶ transportation invoice
- ▶ packing list
- ▶ certificate of inspection issued prior to shipment (when applicable)
- ▶ port expenditures (when applicable)
- ▶ other certificates as needed

The web site of the National Customs Service is at www.aduana.gov.bo.

Special labelling to indicate origin and type of merchandise is not required for Bolivian imports, but most food and beverage labels must be registered in Bolivia and must be in Spanish.

2.6.2 Tariffs and duties

Tariffs and fees add considerably to the landed cost of goods, as follows:

- ▶ The basic import tariff is calculated on the cost, insurance and freight (CIF) value of the product. The flat rate is 10 per cent of CIF except for capital goods, where the rate is 0 or 5 per cent.
- ▶ VAT is an additional 13 per cent, with customs fees bringing the VAT rate up to 14.94 per cent.
- ▶ Other taxes are levied on luxury goods such as automobiles and liquor. There are also warehousing fees, customs brokerage fees, and trade and industry association fees.
- ▶ Samples of no commercial value are admitted duty free.

2.6.3 Standards

Bolivia imposes few specific import standards. Those that do apply are developed by the National Certification and Standardization Organization (IBNORCA), whose web site is at www.ibnorca.org.

3

COLOMBIA

Colombia is Canada's fourth-largest export market in South America. Our exports to the country totaled \$578.4 million in 2009 and included grains and pulses, motor vehicles and motor vehicle parts, fertilizers, oils, newsprint and paper, aircraft parts, pumps, and electrical and metallurgical equipment.



Photo: © Oscar Garces/Age Fotostock

Canadian investments in the Colombian mining, oil and gas sectors have increased steadily since 2004. Canadian companies have also invested in agri-food, pulp and paper, printing, shoe manufacturing, plastics, education and forestry. Colombia plans to invest US\$30 billion in new infrastructure, including ports, airports, roads, railways and power plants, which will present many opportunities for Canadian businesses.

The Canada-Colombia Free Trade Agreement (FTA), signed in 2008 but still awaiting Canadian ratification, includes a foreign investment protection agreement and a double taxation agreement.

EDC has well established relationships with financial institutions and major international customers in Colombia. All EDC products are available for Canadian companies doing business in the country, subject to EDC's regular underwriting criteria.

3.1 Opportunities for Canadian exporters

3.1.1 Mining

Exploration companies need geophysical, land surveying and mapping services, and equipment for early prospecting and early drilling operations. Demand is also high for transportation equipment, engineering services and environmental planning. Capital projects are being developed by large mining companies: Canada-based Barrick Gold, Colombia Goldfields, Greystar Resources and B2Gold all operate here, as do Anglo American (UK), Drummond (US), Rio Tinto (UK), Xstrata (Switzerland) and others. Note that Colombia is a major coal producer.

3.1.2 Oil and gas

Colombia plans to raise its oil production from its 2008 level of 600,000 barrels a day to one million. Oil and gas companies need equipment and services for all stages of production. These include seismic activity services, drilling equipment, drilling fluids, valves, compressors, pumps, piping equipment, safety equipment, casing and cementing equipment, and enhanced oil recovery technologies. Some of the Canadian companies active in the sector are Argenta, Gran Tierra Energy, Nexen, Petrominerals, Petro Andina, Talisman, TechnoGas International and TransCanada PipeLines.

3.1.3 Power

There are opportunities across the entire power generation and transmission sector. Specialized equipment and services are needed, including control systems, electric motors, transformers, insulators, switch gear equipment, cabling, and engineering and construction services.

3.1.4 Construction

Local companies supply most of Colombia's basic construction materials and services, but providing specialized or high-end products and equipment can present opportunities.

3.1.5 Environmental equipment and services

Colombia has a growing need for environmental technologies and services related to water treatment, emission control and waste management. The mining, oil and gas industries in particular need environmental impact assessments and environmental remediation technologies.

3.1.6 Selling to the government

To bid on a Colombian government contract, you will need a local agent to represent you, and you must register your company with a Colombian chamber of commerce. You usually have to obtain prequalification from the chamber, and sometimes from the government contracting agency as well. Always obtain local legal counsel if you are interested in bidding on a public sector contract in Colombia.

3.2 Opportunities for Canadian investors

Colombia allows direct foreign investment in all sectors except defence and hazardous waste disposal, and foreign and domestic investors receive the same legal and administrative treatment. There is no screening of investors, and there are no major registration or capital requirements except in the banking and insurance sectors. There are no limits on the level of foreign equity in a Colombian company, except in the broadcast industry where the equity limit is 40 per cent.

A foreign investor must have a local presence such as a branch, an office or an agent, and must register with the Central Bank's foreign exchange office and with the local chamber of commerce. There are no foreign exchange controls, except in the mining and hydrocarbon sectors, where special policies apply.

The mining sector has a flexible foreign investment regime that may make it attractive to Canadian investors. Taxes have been reduced, amortization rules have been eased and regulations are clear and stable. On the oil and gas side, taxes have likewise been lowered, exploration licences are for longer periods and a sliding scale of royalties has been introduced.

Colombia has a number of investment incentives, including more than 40 free trade zones (FTZs). These zones provide benefits, such as a 15 per cent corporate income tax and a 40 per cent tax deduction for fixed assets, as well as exemption from customs duties and from VAT on imported materials.

Depending on the nature of your investment, you may need to work with Colombian regulatory entities such as the following:

- ▶ Financial Superintendency: www.superfinanciera.gov.co
- ▶ Energy and Gas Regulatory Commission: www.creg.gov.co
- ▶ National Hydrocarbons Agency: www.anh.gov.co
- ▶ Superintendency of Corporations: www.supersociedades.gov.co
- ▶ Superintendency of Industry and Commerce: www.sic.gov.co

3.3 Establishing your presence in Colombia

When setting up your business presence, always obtain advice and assistance from Colombian legal and accounting professionals, but carry out due diligence on them first. The Canadian Trade Commissioner Service at the Canadian Embassy in Bogotá may be able to connect you with the appropriate people. For contact information, please refer to page 35.

3.3.1 Establishing a business entity

You have three major options for setting up a business in Colombia: a corporation, a limited liability partnership or a subsidiary of your Canadian corporation. In all cases, you will have to register your business, your account books and a range of other documents with the Commercial Register of the local chamber of commerce. The general procedure for starting a Colombian business is available through the World Bank Group's Doing Business web site at www.doingbusiness.org.

3.3.2 Labour

Colombia has abundant skilled and managerial-level workers, as well as plenty of unskilled and semi-skilled labour. Foreign companies operating in Colombia must follow the same hiring rules as national companies. Working hours are limited to 48 hours per week, distributed over a maximum of six days per week.

About 10 per cent of the country's formal labour force is unionized. The largest and most influential unions are composed mostly of public employees, particularly in the state-owned oil industry and the state-run education sector. The Colombian Constitution protects the right to organize labour unions, and union members have a special legal protection that prevents them from being fired for forming unions.

3.3.3 Joint ventures

Joint ventures are becoming increasingly important to Colombian businesses as they seek to improve their competitiveness. Companies are looking for new equipment, more efficient business processes and more advanced technologies that Canadian partners may be able to provide. If you wish to set up a joint venture, however, obtain local legal and accounting advice to make sure you follow the correct procedures. Due diligence is also a must.

3.3.4 Agents and distributors

You do not have to use an agent or distributor for private sector sales in Colombia. To sell to the public sector, however, an agent is required and must be legally authorized to act for you. Always do thorough background checks on prospective agents or distributors, and obtain legal assistance from a reputable local lawyer when setting up contracts with such representatives.

3.4 Finances and taxation

Colombia's financial system operates under the oversight of the Financial Superintendency. It has many sophisticated institutions with state-of-the-art technology, but its financial services tend to be expensive.

3.4.1 The banking system

The Central Bank is a major source of funding for the financial system. It also manages several special government funds to promote lending in economically vital sectors. Commercial banks, however, dominate the financial market and account for over 80 per cent of the financial system's assets. They are allowed to complete all authorized credit operations, except for leasing and real sector investments. Some specialize in the financing of construction and housing.

3.4.2 Trade and investment financing

Foreign investors have full access to local credit. While the Colombian government still directs credit to some areas (notably agriculture), credit is mostly allocated by the private financial market. Loans of foreign origin and the foreign financing of imports are permitted.

The main sources of long-term corporate and project financing are financial corporations and commercial banks. Unofficial private lenders play an important role in providing financing for small- and medium-sized companies.

3.4.3 Corporate income taxes

Resident companies are taxed on their worldwide income. Foreign companies and subsidiaries of foreign companies are taxed only on their Colombian income. The corporate tax rate is 33 per cent. For current tax information, check the World Bank Group's Doing Business web site at www.doingbusiness.org.

A double taxation convention was signed between Canada and Colombia in November 2008.

3.4.4 Getting paid

Letters of credit are the best means of ensuring payment. Most imports are paid via irrevocable 180-day LCs, payable on sight against shipping documents. The normal payment term is 60 days.

3.5 The legal perspective

Colombia's system of commercial law defines the legal rights of businesses, reviews regulatory enforcement and adjudicates contract disputes. It conforms to international norms and is reasonably transparent.

That said, the system can be very slow and inefficient, and sometimes unreliable. If you are bidding on government or private projects, or considering a joint venture, be sure to obtain advice and assistance from local legal professionals.

3.5.1 Dispute settlement

Colombia is a signatory to the New York Convention on Investment Disputes, so if you and a buyer have a disagreement, the issue can be submitted to international arbitration. In practice, the process of settling a dispute in this way is often slow and complicated, and awards can be difficult to enforce. It is still preferable to litigation, however.

3.5.2 Intellectual property protection

Colombia has laws to protect IP such as trademarks, copyrights, and patents. Enforcement leaves much to be desired, however, and piracy and counterfeiting are widespread. Since your IP rights must be registered and enforced under Colombian law, be sure to register your IP in Colombia and obtain legal advice when doing so.

3.6 Delivering to Colombia

Note that Colombian customs regulations require a Colombian import agent to handle any import that has a value of more than US\$1,000.

3.6.1 Customs documentation and labelling

To clear customs, your goods will need some or all of the following documents:

- ▶ commercial invoice
- ▶ import manifest
- ▶ packing list
- ▶ bill of lading or airway bill
- ▶ import licence (when applicable)
- ▶ certificate of origin (when applicable)
- ▶ other certificates and approvals as required

The web site of the Colombian Customs and Income Tax Office (DIAN) is at www.dian.gov.co.

Specific marks or labels are not required for imports, except for food, pharmaceuticals and textiles. Check with your buyer to obtain the exact labelling requirements for these goods.

3.6.2 Tariffs and duties

Import duties are assessed on the CIF value of the goods. There are four main tariff levels:

- ▶ five per cent for raw materials, intermediate and capital goods not produced in Colombia;
- ▶ 10 or 15 per cent for the above types of goods if they are also produced in Colombia;
- ▶ 20 per cent for finished consumer goods; and
- ▶ 35 per cent for a range of other goods, such as motor vehicles.

Items that are not to be sold and that can be thoroughly identified (such as commercial samples) can temporarily enter Colombia. The merchandise must be re-exported after a pre-authorized period.

3.6.3 Standards

Some products must conform to technical standards established by the Colombian Technical Standards Institute (ICONTEC), whose web site is at www.icontec.org.co. You must obtain a certificate of conformity from an accredited testing laboratory before your products can be sold in Colombia. Certificates issued by a laboratory that is a member of the International Accreditation Forum are accepted as valid by ICONTEC.

4

ECUADOR

Ecuador's economy depends on petroleum exports, and its prosperity has suffered as global oil prices have fallen. Even so, Canada exported \$245 million worth of goods to Ecuador in 2009, primarily agri-food, paper products, machinery and chemicals. There are potential opportunities for Canadian companies in mining, the power industry, environmental goods and services, and information and communications technologies (ICT).



Photo © Oscar Gaires/Age Fotostock

Note that Ecuador adopted the U.S. dollar as its national currency in 2000. Ecuador and Canada have signed a double taxation treaty and a Foreign Investment Protection Agreement.

4.1 Opportunities for Canadian exporters

4.1.1 Mining

Ecuador has large deposits of gold, copper, silver, molybdenum, manganese and other minerals, but the mining sector is currently underdeveloped. As a result, prospecting and exploration have been the major activities so far. A new mining law came into force in June 2009, but many of its implications for foreign companies were not clear at the time of writing.

That said, many kinds of equipment, technology and services will be in demand as the sector develops. Among them will be quarrying equipment, metallurgical equipment, boring and drilling machinery, crushers and millers, and environmental goods and services.

4.1.2 Power

Ecuador is slowly developing its energy infrastructure and there are opportunities for exporters of electrical equipment and technical services.

4.1.3 Information and communications technologies

Ecuador could become an important ICT market for Canadian exporters. The country's entire telecom infrastructure needs major updating, so there is good growth potential in this area. There is also a strong interest in VoIP and wireless technologies, and Internet usage and broadband services are projected to increase substantially during the next few years.

4.1.4 Environmental equipment and services

The best opportunities in this sector lie in remediation work in the extractive industries, municipal water and waste projects, air pollution control, and disaster and spill containment.

4.1.5 Selling to the government

Your company must be registered in the Unique Register for Suppliers (RUP) in order to bid on government contracts. Bid specifications, as well as technical and financial information about a project, are available on the Instituto Nacional de Contratación Pública web site at www.compraspublicas.gov.ec, and at each of the contracting agencies' web sites.

4.2 Opportunities for Canadian investors

Foreign investment is allowed without prior authorization in some sectors, but restrictions apply in the petroleum, power, mining, telecommunications and fishing sectors. Foreign and Ecuadorian investors have the same rights. There are no foreign exchange or capital remittance controls, although Ecuador does charge a one per cent fee on capital remitted out of the country.

Ecuador and Canada have signed a Foreign Investment Protection Agreement and a double taxation agreement. However, business dealings can sometimes be difficult. Getting paid on time by Ecuadorian buyers can also be a problem.

FTZs have been set up in Esmeraldas, Manabi and Pichincha provinces. These allow the import of raw materials and machinery free of duty and tax, and the export of finished and semi-processed goods free of duty and tax. There is a range of tax incentives, and foreign investment is exempt from future restrictions on capital repatriation.

Depending on the nature of your investment, you may need to work with Ecuadorian regulatory entities such as the following:

- ▶ Foreign Trade and Investment Council: www.comexi.gov.ec
- ▶ Central Bank of Ecuador Foreign Investment Department: www.bce.fin.ec
- ▶ Superintendency of Companies: www.supercias.gov.ec

4.3 Establishing your presence in Ecuador

When establishing your Ecuadorian presence, you should obtain assistance and advice from local legal counsel. The Canadian Trade Commissioner Service at the Canadian Embassy in Quito may be able to connect you with the appropriate people. For contact information, please refer to page 35.

4.3.1 Establishing a business entity

Local corporations, or local branches of foreign corporations, are the most common forms of business presence for foreign companies. Limited liability companies are less used but are an option. You should obtain local legal and financial assistance when setting up one of these entities. The general procedure for starting an Ecuadorian business is available through the World Bank Group's Doing Business web site at www.doingbusiness.org.

4.3.2 Labour

Semiskilled workers are relatively abundant at low wages, although widespread emigration over the past few years has led to shortages of skilled workers in some parts of the country. Most workers in the private sector have the right to form trade unions, and local law allows for unionization of any company with more than 30 employees. However, less than 10 per cent of the urban work force is officially organized, and most of these are skilled workers in larger enterprises or in state industries.

Ecuador has been taking steps to eliminate child labour, which is still common in many sectors. Unfortunately, poverty forces many families to take their children from school and send them out to work in industries where they are exposed to hazardous conditions and are paid little. Ensure that your labour practices meet acceptable international standards.

4.3.3 Joint ventures

A joint venture may be set up either through a participation agreement or through a contract of association. If you are considering such a venture, exercise very careful due diligence on your prospective partner, and have legal professionals review the contract or agreement before you sign it.

4.3.4 Agents and distributors

When setting up contracts with agents or distributors, always appoint them as non-exclusive representatives for a specified time period and include mediation or arbitration clauses. Have the contract reviewed by an Ecuadorian law firm, and make sure that you and your representatives agree on quantities, delivery times, price, marketing expenses, financial intermediaries and credit terms.

4.4 Finances and taxation

Since 2000, Ecuador's official currency has been the U.S dollar. In 2008, the government approved the Financial Safety Network Law, which established a new deposit insurance corporation and a liquidity fund.

4.4.1 The banking system

Apart from the government's Central Bank, there are four large banks, nine medium-sized banks, 11 small banks and two international banks operating in Ecuador. The Financial Institutions Law establishes full disclosure requirements.

4.4.2 Trade and investment financing

Local banks offer corporate and commercial credit. Interest rates are high, so extending credit to an Ecuadorian buyer can make you more competitive. This is advisable, however, only if you have had a successful, long-term relationship with the buyer.

4.4.3 Corporate income taxes

The normal rate of tax on corporate profits is 25 per cent, reduced to 15 per cent if the profits are reinvested in machinery and equipment. For current tax information, check the World Bank Group's Doing Business web site at www.doingbusiness.org.

4.4.4 Getting paid

The safest payment method is a confirmed letter of credit from an Ecuadorian commercial bank, or from an international bank operating in Ecuador.

4.5 The legal perspective

Ecuadorian legal institutions are somewhat unpredictable in their behaviour. The country's regulatory environment is opaque and changes frequently, and there is no competition law. Anti-corruption laws are on the books, but enforcement leaves much to be desired.

4.5.1 Dispute settlement

It is not uncommon for contracts to be challenged by the Ecuadorian parties involved, so including mediation or arbitration clauses in all contracts is a must. This may not be a viable option in the future, however, since Ecuador will withdraw from the International Centre for Settlement of Investment Disputes (ICSID).

The withdrawal is a result of the country's new constitution, approved in 2008, which forbids the country from submitting to arbitration outside Latin America. However, companies with existing contracts that include ICSID-based dispute resolution clauses will likely not be affected by the decision.

4.5.2 Intellectual property protection

Protection of IP in Ecuador is governed by the Law on Intellectual Property. Enforcement is difficult and there is a considerable amount of piracy and counterfeiting. As usual in foreign countries, your IP must be registered in Ecuador and your rights enforced under Ecuadorian law.

4.6 Delivering to Ecuador

4.6.1 Documentation and labelling

To clear customs, your goods will need some or all of the following documents:

- ▶ commercial invoice
- ▶ bill of lading or airway bill
- ▶ insurance policy
- ▶ income tax registry number
- ▶ a certificate of origin (when applicable)
- ▶ INEN-1 standards compliance certificate (when applicable)
- ▶ other certificates and approvals as required

When the shipment is landed, custom officials will authorize the payment of duties and the release of the goods. Using a specialized customs agent is highly recommended in order to avoid delays.

The customs authority is the Ecuadorian Customs Corporation. Its web site, at www.corpae.com, is sometimes slow or unavailable. They can, however, be reached in Guayaquil at **011-593-4-250-0101**, or **011-593-4-248-0875**, or **011-593-4-248-0640**.

All labelling must be in Spanish and must include company name, address and telephone number; tax registration number; country of origin; weight; and sanitary registration number if required.

4.6.2 Tariffs and duties

Ecuador limits most of its tariffs to 30 per cent or less. The average rate in 2008 was 11.75 per cent. In 2009, however, safeguard fees were instituted on numerous goods in addition to the normal tariffs. Ecuador allows the temporary entry of samples or items used for demonstrations or trade fairs for up to 15 days.

4.6.3 Standards

The Ecuadorian Standards Institute (INEN), whose web site is at www.inen.gov.ec, sets national standards. Products to which standards apply must have an INEN-1 certificate in order to clear customs. To obtain an INEN-1, the product must have a certificate of conformity from an accredited standards organization, and the certificate must be approved by the Ecuadorian Accreditation Organization.

5

PERU

Peru is Latin America's seventh-largest economy. Canadian exports to the country totaled more than \$392.6 million in 2009, and were primarily grains and pulses, newsprint and paper, fertilizers, earthmoving equipment, pumps, telecommunications equipment, scientific instruments and steel.



Photo: © Marco Andras/Age Fotostock

Peru has a growing trade and investment relationship with Canada, which is one of the top foreign investors in the country. Economic activity is increasing steadily because of large investments in the mining, oil and gas sectors, and due to strong spending on housing construction and public infrastructure. There are good opportunities for Canadian companies in several sectors, including mining, oil and gas, all types of infrastructure projects and in the environmental industry. The range of possibilities will likely expand now that the Canada-Peru Free Trade Agreement has been ratified and is in force. A Foreign Investment Protection Agreement has been in effect between the two countries since 2007.

EDC has strong relationships with major Peruvian clients, as well as a good network of contacts to assist Canadian companies. EDC has also signed a cooperation agreement with the Private Investment Promotion Agency of Peru (Proinversion) to exchange information about business opportunities.

That said, a word of caution is in order. Recent government decrees, which opened the country's Amazon region to greater resource exploitation by private interests, are currently being reviewed by the government and indigenous communities. This may have significant effects on Peru's investment environment.

5.1 Opportunities for Canadian exporters

5.1.1 Mining

Approximately 80 per cent of Peru's mining equipment is imported. Many kinds of specialized machinery are in demand, including rock drills and supplies, pumps, utility vehicles, crushers, boring machinery and low-profile dump trucks. On the exploration and services side, there are opportunities in geophysical and engineering services, environmental assessment and remediation, and metallurgical services. Many Canadian engineering companies are active in the market.

5.1.2 Oil and gas

The conversion of Peruvian energy and transport systems from liquid fuels to natural gas, a result of the development of the vast Camisea gas fields, presents many opportunities for Canadian companies. Construction of new oil and gas pipelines offers further promise, and increasing exploration is creating new needs for specialized services.

5.1.3 Infrastructure

Peru has an infrastructure deficit of between \$25 and \$30 billion, which promises many opportunities for Canadian companies in building and upgrading roads, ports, airports, water supplies and power installations.

5.1.4 Environmental goods and services

Peru needs technologies, equipment and services to deal with growing problems of solid waste management, air pollution, and water and soil contamination. Mining operations are a major source of such problems and should be a key sub-market in this sector.

5.1.5 Selling to the government

To bid on contracts with the Peruvian government, companies must register with the National Register of Suppliers. Tender notices from government agencies are usually published in the major newspapers.

5.2 Opportunities for Canadian investors

Many Canadian companies operate in Peru, and the business climate is friendly to Canadian investors, although cumbersome bureaucracies and customs procedures can sometimes present difficulties. Foreign and Peruvian investors have the same rights, and investment is permitted without prior approval in most sectors.

Peru offers both foreign and national investors legal and tax stability agreements to stimulate private investment. These agreements guarantee that the statutes on income taxes, remittances and other issues will remain unchanged for a particular investment for 10 years. Peru also maintains two types of free trade zones, which under specific conditions will exempt businesses from all taxes, dues and contributions to the central government and municipalities.

The chief point of contact for foreign investors is the Private Investment Promotion Agency of Peru (Proinversion). If you are intending to invest in Peru, you should register with the agency to ensure that you will be able to repatriate capital, profits and royalties. EDC has signed a cooperative agreement with Proinversion to foster business and investment relationships between Canada and Peru. The Proinversion web site is at www.proinversion.gob.pe.

Depending on the nature of your investment, you may need to work with Peruvian regulatory entities such as the following:

- ▶ Ministry of Energy and Mines: www.minem.gob.pe
- ▶ National Superintendency of Taxation: www.sunat.gob.pe
- ▶ National Supervisory Committee of Corporations and Securities: www.conasev.gob.pe

5.3 Establishing your presence in Peru

A local presence in the market is crucial to doing business in Peru, and using local legal counsel is essential when setting up a business. The Canadian Trade Commissioner Service at the Canadian Embassy in Lima may be able to connect you with the appropriate people. For contact information, please refer to page 35.

5.3.1 Establishing a business entity

Branch offices or subsidiaries can be established by foreign corporations in Peru. The general procedure for starting a Peruvian business is available through the World Bank Group's Doing Business web site at www.doingbusiness.org.

5.3.2 Labour

Labour is abundant, although highly skilled workers are scarce in some fields, and wages for professional staff are high. The law provides for a 48-hour work week and one day of rest. It requires companies to pay overtime for more than eight hours of work per day, plus additional compensation for night work.

Organized labour in the Peruvian economy has declined, and only about seven per cent of the labour force is organized. Either unions or management can request binding arbitration in contract negotiations. Unions in essential public services must provide enough workers during a strike to maintain operations.

5.3.3 Joint ventures

Joint ventures and licensing agreements with local partners are another method of business entry. Always do very careful background checks on any candidates you may be considering, and obtain local legal and accounting advice to make sure you follow the correct procedures.

5.3.4 Agents and distributors

Peruvian law does not require the use of local agents or distributors for private sector sales. However, a local agent is always required for selling to the government. The usual need for due diligence applies. The Canadian Trade Commissioner Service may be able to direct you to appropriate people or firms.

5.4 Finances and taxation

The Peruvian financial system is considered generally sound and has coped well with the global downturn, partly because it had little exposure to the international institutions that failed or nearly failed in 2008.

5.4.1 The banking system

Peru's banking system is composed of 16 commercial banks, 36 municipal and rural savings banks, and four government-owned institutions. These last include the Central Bank, a government financial agency and two development banks. Of the 16 commercial banks, the three largest account for the bulk of all loans and deposits.

5.4.2 Trade and investment financing

Peru's banking industry is generally competitive in offering services to business customers. There is a good variety of private sector credit instruments, and foreign investors can obtain financing on the local market.

5.4.3 Corporate income taxes

Resident companies are taxed on their worldwide income. Branches and subsidiaries of foreign companies are taxed only on their Peruvian income. The corporate tax rate is 30 per cent. Canada and Peru have signed a double taxation treaty. For current tax information, check the World Bank Group's Doing Business web site at www.doingbusiness.org.

5.4.4 Getting paid

Open account is the most common method of payment. Documentary collections come second and letters of credit are third.

5.5 The legal perspective

Due to the nature of Peru's judicial system, the enforcement of legal and contractual rights and obligations can be difficult, and the results of litigation can be unpredictable.

5.5.1 Dispute settlement

The recent establishment of 24 commercial courts has made it easier to resolve business disputes, which are often settled in as little as two months. The enforcement time for court decisions is now between three and six months. Even so, it is preferable to include arbitration provisions in any contract in order to avoid possible involvement with the judicial system.

5.5.2 Intellectual property protection

Peru's legal system allows easy registration of trademarks and patents, and protection of IP in Peru has improved during the past decade. However, enforcement remains weak and piracy continues to be a major problem. IP must be registered in Peru in order to receive the protection of Peruvian law.

5.6 Delivering to Peru

5.6.1 Documentation and labelling

To clear customs, your goods will need some or all of the following documents:

- ▶ Unique Customs Declaration (DUA)
- ▶ commercial invoice
- ▶ bill of lading or airway bill
- ▶ packing list
- ▶ proof of insurance
- ▶ a certificate of origin (when applicable)
- ▶ other certificates and approvals as required

The Peruvian customs authority is the National Customs Superintendency of Peru. Its English web site is at www.aduanet.gob.pe/aduanas/version_ingles/aduanetingles.htm.

Label information should include the name of the product, country of origin, exporter address, expiration date, conservation method, metric weight and any risks associated with using the product.

5.6.2 Tariffs and duties

Customs duties are imposed on the CIF value of the imported goods, at rates that range from 0 to 17 per cent. Most imports and domestically produced goods are also subject to a 19 per cent VAT. An excise tax applies applied to some products such as tobacco and alcoholic beverages. Goods for trade fairs may enter Peru temporarily by paying a bond, with no duties levied.

5.6.3 Standards

There is a range of products that require certification under Peruvian standards. There are accreditation bodies for different industries, and several Peruvian firms are authorized to provide conformity assessment services.

6

VENEZUELA

Venezuela is Canada's second-largest South American export market, after Brazil. In 2009, Canadian goods shipments to the country were worth \$596.5 million. Our major exports were grains, pulses and other foodstuffs, newsprint and paper, vehicle parts, iron ore, pumps, dryers, boilers, fabricated steel, aircraft engines and metallurgical equipment.



Photo: © Hisham F. Ibrahim/Age Fotostock

Venezuela and Canada have a longstanding trade and investment relationship, but market conditions are increasingly challenging. Canada and Venezuela have signed both a Foreign Investment Protection Agreement and a double taxation agreement.

6.1 Opportunities for Canadian exporters

6.1.1 Oil and gas

Venezuela is highly dependent on foreign equipment and services to develop its oil and gas sector (except for some engineering services, where it has solid local expertise). Market opportunities include drilling rigs and technologies, refinery upgrading equipment, enhanced recovery techniques, offshore gas equipment, and environmental equipment and services. PDVSA, the state-owned oil company, is the major player in the market.

6.1.2 Agri-food

Venezuelan consumers are increasingly willing to buy foods that require little preparation time, partly because of the increasing number of women working outside the home. Both commodity foods and processed food products are in demand, ranging from cereals, canned vegetables and bottled beverages to snack foods and confectioneries.

6.1.3 Health

Venezuela imports more than 90 per cent of its medical equipment and supplies. Among its needs are equipment and services for diagnostic and high-technology centres, rehabilitation centres, clinics and pharmacies. Most public hospitals need major upgrading and modernization as a result of decades of neglect.

6.1.4 Selling to the government

To sell to the Venezuelan government, you must register in the National Register of Contractors maintained by the Central Office of Statistics and Informatics at www.ine.gov.ve. Foreign companies that win a tender are sometimes required to form a consortium with a domestic firm or to select a local agent to represent them.

Note that there is no single Venezuelan agency in overall charge of government procurement. All correspondence related to selling to the government must be in Spanish.

6.2 Opportunities for Canadian investors

The level of foreign direct investment in Venezuela is relatively low compared to that of other Latin American countries. This is a result of the government's nationalization of several industries in recent years, and the threat of nationalizing others. In 2008, for example, key companies in the cement, dairy and steel industries were brought under state control, and overall government intervention in the economy is increasing.

Venezuela provides investment incentives such as credits, income tax exemptions, exemption from duties and tax rebates in selected sectors. It maintains several FTZs that provide exemptions from most import and export duties and offer foreign-owned firms a range of investment opportunities.

Depending on the nature of your investment, you may need to work with Venezuelan entities such as the following:

- ▶ Venezuela State Oil Company (PDVSA): www.pdvsa.com
- ▶ Venezuelan Exchange Administration (CADIVI): www.cadivi.gov.ve
- ▶ Superintendency of Foreign Investment (SIEX): Esq. La Bolsa a Mercaderes, Edif. La Perla, Pisos 3,5 y PH El Silencio, Caracas. Tel.: 58-212-483.65.19

6.3 Establishing your presence in Venezuela

When setting up your Venezuelan presence you should obtain advice and assistance from local legal and accounting professionals, but be sure to carry out due diligence on them first. The Canadian Trade Commissioner Service at the Canadian Embassy in Caracas may be able to connect you with the appropriate people. For contact information, please refer to page 35.

6.3.1 Establishing a business entity

You can register a business entity as a corporation, a limited liability company, a partnership, a sole proprietorship or a cooperative. It has to be registered with the Venezuelan Municipal Commercial Registry and with the Superintendency of Foreign Investment (SIEX). No previous authorization is required and the procedure is quick and inexpensive, but it is advisable to have a reputable local lawyer who will handle the documents and the registration for you. The general procedure for starting a Venezuelan business is available through the World Bank Group's Doing Business web site at www.doingbusiness.org.

6.3.2 Labour

Finding workers can be a challenge; while rapid economic growth has increased the demand for labour, many skilled Venezuelans have emigrated. At the same time, government programs that support poorer Venezuelans have made it more difficult for companies to attract unskilled workers. In addition, the number of foreigners hired by an investor may not exceed 10 per cent of a company's employees, while salaries paid to foreigners may not exceed 20 per cent of the total company payroll. The unions are moderately active, and company operations can be disrupted by strikes. The labour market can also be inflexible because of periodic freezes on layoffs.

6.3.3 Joint ventures

You can set up a joint venture by establishing a new company using local and foreign capital, or by buying into an existing local company. The venture must be registered with SIEX. Manufacturing under licence is permitted, but the licence must also be registered with SIEX. Joint ventures are treated as Venezuelan businesses. If you wish to set up a joint venture, obtain local legal and accounting advice to make sure you follow the correct procedures. Due diligence is a must.

6.3.4 Agents and distributors

Agents or distributors may be your best way of covering the Venezuelan market. Check their backgrounds very carefully and, since Venezuelan business laws and regulations can change with very little warning, be sure that the candidates have the ability to cope with such changes. It is a good idea to set up a medium-term trial with an agent or distributor before committing to a long-term business relationship.

6.4 Finances and taxation

Most of the financial system's assets are held by the country's six largest banks. These banks are generally solid, but the overall financial system is highly exposed to the public sector through government deposits and bond holdings.

6.4.1 The banking system

Venezuela's banking system consists of 60 institutions, 50 of them private and 10 state-owned. Oversight is managed through the Central Bank, the Superintendency of Banks, a National Banking Advisory Board and the Fund for Deposit Warranties, which guarantees deposits in the banking system.

6.4.2 Trade and investment financing

Venezuela's banks can supply adequate trade and investment financing and there is no discrimination against foreign investors seeking access to credit. That said, the government's regular interventions in the economy are tending to restrict the level of available capital, and interest rates and the cost of borrowing have consequently increased.

6.4.3 Corporate income taxes

Resident companies are taxed on their worldwide income. Branches and subsidiaries of foreign companies are taxed only on their Venezuelan income. The corporate tax rate is progressive, with a maximum of 34 per cent. There is a special tax regime for the hydrocarbon sector. Canada and Venezuela have signed a double taxation treaty. For current tax information, check the World Bank Group's Doing Business web site at www.doingbusiness.org.

6.4.4 Getting paid

Exporters to Venezuela may not be paid directly by their buyers, but rather through the government's Commission of Foreign Exchange Administration (CADIVI). Under this system, a Venezuelan firm may use CADIVI to obtain foreign currency to pay for the goods it is importing. Because the process is slow and complicated, you should be prepared for payment delays of weeks or even months, and should take this into account when negotiating a contract. Also, since your buyers are responsible for pushing payments through CADIVI, it would be wise that business contracts include provisions requiring the buyer to pay interest on late payments. This may encourage them to act promptly. There are currently other options being enacted, but be advised that this has been the traditional system of payment in Venezuela. For additional information on CADIVI and getting paid in Venezuela please visit: www.edc.ca/english/publications_15571.htm. The CADIVI web site is at www.cadivi.gov.ve.

6.5 The legal perspective

Venezuela's legal system is complicated and is often slow and inefficient. Business activities are regulated not only by laws, but by presidential decrees and specific regulations. The system is not transparent, and the number of codes, laws and standards is increasing steadily.

6.5.1 Dispute settlement

Foreign businesses can use Venezuela's legal system to resolve disputes, and the courts have generally not discriminated against foreign companies. Still, settling a dispute through litigation will be slow and the outcome may be unsatisfactory. Moreover, the right to international arbitration has become somewhat cloudy because of recent decisions by Venezuelan courts.

6.5.2 Intellectual property protection

Piracy is a concern in Venezuela. Since Venezuela does not recognize foreign patents or trademarks, be sure to register yours under Venezuelan law. Don't allow agents or distributors to do this registration, however, since they could then claim that they are the registered owners of the IP. In addition, always use local legal counsel to ensure that your contracts with buyers or partners include non-compete clauses, as well as provisions for confidentiality and non-disclosure.

6.6 Delivering to Venezuela

Venezuelan customs procedures involve many steps and much paperwork. It is highly advisable to use a customs agent. The web site of the Venezuelan customs authority (SENIAT) is at www.seniat.gov.ve.

6.6.1 Documentation and labelling

To clear customs, your goods will need some or all of the following documents, each of which must be in Spanish:

- ▶ commercial invoice
- ▶ bill of lading or airway bill
- ▶ packing list
- ▶ certificate of origin (if applicable)
- ▶ other documentation as needed (check with your buyer for details)

Labels must list all ingredients, the contents of the package, and a relevant ministry registration number for animal feeds or veterinary medicines. Most agricultural imports must have a certificate of origin. Operating instructions and manuals must be in Spanish.

6.6.2 Tariffs and duties

All imports are subject to a one per cent customs handling charge. Import duties are calculated on the CIF value of the shipment. There are four tariff levels, ranging from 5 to 20 per cent, depending on the goods being imported.

The temporary entry of samples is allowed, with the customs agent at the port of entry deciding what constitutes a sample. Merchandise can be temporarily imported, on request, for trade shows and demonstrations.

6.6.3 Standards

Venezuela has about 300 standards for domestic and imported products. Customs authorities require a certificate of compliance in order to admit such products into the country. Check with your buyer on compliance matters, since the importer is responsible for providing the certificate.

7

SOLUTIONS FROM EDC

EDC is always pleased to consider support for new business in the Andean market. If you're considering a venture there, be sure to contact us and find out how our asset protection, bonding and financing solutions can help you. Up-to-date information about these solutions is always available on our web site at www.edc.ca, or you can call **1-800-368-6664** and speak to an EDC representative to learn more.



7.1 Asset protection

Your accounts receivable are among the most important assets you have on your books. But what will happen to your company if those assets vanish because a customer can't or won't pay? That can be a special hazard if you're selling into a foreign market, or to an unfamiliar overseas buyer. But you can protect yourself from such losses with EDC's insurance solutions, no matter whether you need coverage for a single deal or multiple projects. EDC can also insure you against a wide variety of political threats ranging from breach of contract to expropriation. Even better, once you have EDC's insurance in place, your financial institution may be willing to provide you with extra working capital because it knows its losses will be covered even if you aren't paid.

7.2 Bonding and guarantees

Your customer or supplier will sometimes ask you to guarantee a sum of money to be held in trust, called a bond. These bonds are issued by a bank on your behalf. If your customer or supplier decides that you aren't meeting the terms of your agreement for any reason, they can 'call' your bond which means your bank has to automatically pay your buyer or supplier. Because of that risk, banks usually demand collateral which can tie up your operating line. To avoid tying up your cash, EDC can provide your bank with a guarantee so that they can get their money back if a bond is called.

If a bond is called, you will have to reimburse EDC or the financial institution that had to pay the buyer or supplier on your behalf. Depending on the type of bond, EDC has insurance that can protect you from having to reimburse this amount in full when the bond is called for no valid reason.

7.3 Financial support

In many cases, a financial proposal is a critical part of your sale. We can provide financing directly to your foreign customer for an export sale of capital goods or services. This provides you with a cash sale because we assume the risk of non-payment and pay the funds to you directly, typically matching the payment terms in your commercial contract. And if you need to promote your company in a foreign market, attend a trade show or increase production capacity to fill an export order, we may be able to provide a loan for those purposes.

We can also provide a guarantee to your financial institution which could help you access additional financing to support export sales or foreign investments. For example, we can provide guarantees on loans to finance work in progress, ongoing export-related working capital needs or to buy equipment.



KEY CONTACTS

▶ **Local and regional business associations**

There are many business associations in the Andean market, and these may be fruitful sources of leads and information once you've done your marketing groundwork. The EDC Chief Representative in the region, or the Canadian Trade Commissioner Service in each country, may be able to put you in touch with the key people in these organizations.

▶ **EDC representation in the Andean region**

Stephen Benoit, EDC Chief Representative

Embassy of Canada to Peru

Bolognesi 228 Miraflores

Lima 18, Peru

Tel.: 011-51-1-319-3385

Fax: 011-51-1-446-6257

Email: sbenoit@edc.ca

▶ **Canadian government representation in the Andean region**

▶ **Bolivia**

Canada does not maintain an embassy in Bolivia. Diplomatic representation is handled through the Embassy of Canada in Peru.

▶ **Colombia**

Canadian Trade Commissioner Service

Embassy of Canada to Colombia

Carrera 7, No. 114-33, 14th floor

Bogota, Colombia

Tel.: 011-57-1-657-9800

Fax: 011-57-1-657-9915

Email: bogota.commerce@international.gc.ca

www.tradecommissioner.gc.ca/eng/office.jsp?cid=711&oid=62

▶ **Ecuador**

Canadian Trade Commissioner Service

Embassy of Canada to Ecuador

Av. Amazonas N37-29 and

Union Nacional de Periodistas, Edificio Eurocenter, 3rd Floor

Quito, Ecuador

Tel.: 011-593-2-245-5499

Fax: 011-593-2-227-7672

Email: quito-td@international.gc.ca

www.tradecommissioner.gc.ca/eng/office.jsp?cid=725&oid=274

▶ **Peru**

Canadian Trade Commissioner Service
Embassy of Canada to Peru
Calle Bolognesi 228
Lima, 18, Peru
Tel.: 011-511-319-3200
Fax: 011-511-446-4776
Email: lima.commerce@international.gc.ca
www.tradecommissioner.gc.ca/eng/office.jsp?cid=727&oid=29

▶ **Venezuela**

Canadian Trade Commissioner Service
Embassy of Canada to Venezuela
Avenida Francisco de Miranda con Av. Sur Altamira
Caracas, Venezuela
Tel.: 011-58-212-600-3000
Fax: 011-58-212-600-3036
Email: crcas-td@international.gc.ca
www.tradecommissioner.gc.ca/eng/office.jsp?cid=715&oid=56

▶ **Andean Development Corporation**

The Andean Development Corporation (Corporación Andina de Fomento, or CAF) is a development bank that provides banking services to both public and private clients in the Andes market. The CAF is the main source of multilateral financing for the region. It is based in Caracas, Venezuela, and it has representative offices in La Paz, Brasilia, Bogota, Quito and Lima. Its web site is at www.caf.com



Ce document existe également en version française.

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