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InternationalUpdate

MARCH/APRIL 2009

COLOMBIA – PERU TRADE MISSION (JUNE – JULY 2009)

Colombia and Peru's economies have each experienced positive growth over the past five years. The Colombian economy continues to improve in part because of austere government budgets, focused efforts to reduce public debt levels, an export-oriented growth strategy, improved domestic security and high commodity prices.

Since the election of President Alvaro Uribe in May 2002, and re-election in 2006, Colombia has become one of the most stable economies in the region. Colombia's bilateral trade agreement with the U.S. is pending in the U.S. Congress.

Peru represents a rapidly expanding market for American goods and services. Peru's economy is well managed, and better tax collection and growth are increasing revenues, with expenditures keeping pace.

This trend should be reinforced as a result of the U.S. Peru Trade Promotion Agreement which entered into force February 1, 2009, and will level the playing field for U.S. companies by providing greater access to the Peruvian market and improving the overall commercial climate.

Iowa's exports to Colombia and Peru increased 32 percent and 59 percent respectively in 2007. One-on-one pre-qualified appointments will be arranged in each location for participating companies whether they are seeking to develop or expand direct export sales, locate distributors or agents, conduct market research or have other goals. This trade mission is open to all industries. Contact Peggy Kerr at peggy.kerr@iowalifechanging.com or 515.242.4745 for further information.

TRADE MISSION TO SAUDI ARABIA AND QATAR (MARCH 25 – APRIL 3, 2009) NEW DATES!

Cities to be visited include Riyadh, Jeddah and Doha. Participating Iowa companies will have on-site meetings with potential end-users, distributors and/or collaborative partners.

New waves of major private sector and infrastructure development in Saudi Arabia and Qatar present significant opportunity for Iowa companies. The Saudi government is encouraging private sector growth - especially in power generation, telecommunications, natural gas exploration and petrochemicals - to lessen the kingdom's dependence on oil exports.

The government has announced plans to establish six "economic cities" – the largest of which, King Abdullah Economic City, is the highest value development project in the Gulf Region – in different regions of the country to promote development and diversification. Meanwhile, Qatar's GDP growth is strong at an overall 19.9 percent between 2001-2005. In 2006, the GDP increased a record 24 percent and then 14 percent in 2007. In the next ten years, Qatar plans to invest over $120 billion in the development of the energy and industrial sectors and $50 billion in roads, infrastructure development, housing and real estate, health/medical and sanitation projects.

Qatar has the fourth highest construction project value in the Gulf Region (268 projects worth $205 billion). Per capita income Qatar is high, reported at $49,655 in 2005, with no personal income tax obligation for its citizens. Qatar imports over 90 percent of its food. In 2003, Qatar's food and agricultural imports totaled $489 million.

Space for this trip is limited to ten companies. For more information or contact Micah Kiel at micah.kiel@iowalifechanging.com or 515.242.4801.

AES COMPLIANCE SEMINAR AND WORKSHOP (APRIL 23-24, 2009)

Automated Export System (AES) Compliance Seminar will host presenters from the U.S. Census Bureau and port officers from the U.S. Customs and Border Protection (CBP). Census Bureau experts will instruct on export regulations, explain the exporter's responsibilities under the laws, thoroughly cover the filing of required export information through the AES, and review thoroughly the Schedule B classification requirements. The CBP experts will cover port requirements and efforts against terrorism and international narcotics trafficking.

Participants will receive a certificate for attending the seminar. The second day is an AESPcLink Workshop where participants can enjoy the benefits of FREE electronic filing of their export information via the Windows-based desktop PC Component AESPcLink.

Receive certification on using the program! Come learn how to successfully file your export information in this hands-on PC training workshop. Visit www.iowalifechanging.com/register for more information and online registration.

ARTICLE FROM THE IOWA MEXICO O

By Jose Jimenez & Tom Johnson

ECONOMY AND INDUSTRY

At the outset of 2009, Mexico is entering into recession and bracing for a year of economic stagnation and possible negative growth due to the repercussions from the steep economic slowdown in the United States. Toward the close of 2008, some analysts were still projecting some GDP growth in 2009, however as the bad news out of the United States continues, many projections for Mexico have been downgraded to flat or even negative growth for the current year. The peso-dollar exchange rate has experienced significant movement over the past six months, following several years of relative stability. The peso gained strongly against the dollar in the third quarter of 2008, dipping below ten pesos-to-dollar, but a major surge by the dollar against the peso in the fourth quarter carried over to 2009, and the peso now stands at approximately 14.2 to the dollar. The strengthening of the dollar will naturally increase the cost of U.S. products imported into Mexico, however a similar rise in the Euro over the past month should somewhat offset the effect of this on the competitiveness of U.S. imports.

Mexico's agricultural production is one of the weak links in the country's economy. Mexico does not produce enough food for its 100 million-plus population despite significant increases in production of grains and animal protein. According to the Mexican Department of Agriculture, 2008 was a record year with production of almost 107 million tons of agricultural products, including basic grains such as corn, wheat and beans. The harvest of white corn, the country's main grain staple crop, was expected to reach the 23 million tons mark for 2008. Mexico has been importing nearly eight million tons per year of yellow corn for the feed industry, but after the elimination on January 1, 2008, of all trade barriers under NAFTA, corn imports from the United States were 8.65 million metric tons, or roughly 340.8 million bushels, in 2008.

Similarly, Mexico depends on imports of meat and meat products from the United States to supplement its animal protein production. Mexico ranked as the United States' top pork export market in 2008. According to USMEF data from November 2008, Mexico imported a record 41,402 metric tons (91.3 million pounds) last year, up 50 percent from November 2007. Beef imports were slightly down 16 percent in November to 12,872 metric tons (28.4 million pounds), but January through November exports were still up 11 percent, totaling 194,275 metric tons (428.3 million pounds). Variety meat exports were up 10 percent through November, totaling 170,240 metric tons (375.3 million pounds), with combined beef and variety meat exports up 10 percent as well, totaling 364,515 metric tons (803.6 million pounds) and up 18 percent to $1.29 billion. Mexico accounted for 40 percent of U.S. beef and variety meat export volume from January through November 2008. Mexico will continue buying food products from the United States to supplement its domestic production.

In industry, general recessionary conditions began to spur layoffs and hiring freezes toward the end of 2008 in Mexico, and loss of employment is expected to worsen as 2009 advances. Particularly hard hit industries include textiles, footwear and vehicle manufacturing. Despite temporary production shutdowns and loss of employment due to plummeting demand for new vehicles, however, the auto industry – one of Mexico's most important – provides an example of a minor silver lining of a sort. The declining worldwide demand has led several automakers to close manufacturing plants in various locations. Although much of the production from these plants has been eliminated, a portion of this production has been transferred to Mexico, resulting in the expansion of lines and output in some Mexican plants. While this has not been enough to compensate for the overall rollback of production due to the drop in demand, it has helped to mitigate some of the employment losses in Mexico. Furthermore, within the context of ongoing global restructuring of vehicle assembly operations, Chrysler is so far maintaining plans to open a new production plant in Coahuila, Mexico, in 2009, and Ford has announced plans to expand production of diesel engines at its Chihuahua plant and to build a new transmission manufacturing plant in Guanajuato as well. A new Freightliner heavy truck manufacturing plant is also under construction in the state of Coahuila.

In the face of general economic stagnation across the board, one sector that is expected to maintain relative health in 2009 is infrastructure development. The aggressive National Infrastructure Plan announced at the outset of the current presidential administration in 2006 is now underway, providing large scale funding for joint public-private investments in highway, port, railroad, airport and logistics terminal construction and upgrades. While the lofty goals of the program are still far from being met and a measure of private investment is being held up due to the contraction of credit, a substantial number of projects are underway. The federal government recently announced plans to increase outlays for infrastructure development by 35 percent in 2009, particularly in highway construction. Other major projects planned for the current year include upgrades to the Mezquital port in Tamaulipas, and construction of an intermodal terminal at the port of Lazaro Cardenas and suburban rail lines in the states of Guanajuato and Aguascalientes.

A cross section of other sectors are showing life despite – and at times because of – the global economic downturn. One area that is flourishing is Mexico's information technology outsourcing industry, centered to some degree around the city of Guadalajara. The sector is projecting up to USD4 billion in outsourcing contracts for services such as

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application development, remote technical assistance and VoIP and network solutions as Silicon Valley and other foreign firms scramble to cut costs by "nearshoring" to Mexico. A sampling of signs that economic life perseveres in the face of stagnation include:

Mexico's retail industry association ANTAD, despite being hard hit by a steep decline in money transfers from Mexican workers in the United States, has announced investments of USD1.3 billion in member stores planned for 2009, largely in new store openings.

Beverage giant Bacardi has announced plans to expand production in Mexico to compensate for a portion of lost output due to the closing of production plants in Spain and the Caribbean.

Swiss chocolate maker Barry Callebaut recently inaugurated a new production plant in Nuevo Leon as part of aggressive plans to expand market share in North and Latin America.

Mexico is undergoing a surge in interest in wind power, with large wind farms under construction in Oaxaca and investment plans being developed for wind plants in Baja California and other locations under study.

POLITICS AND SOCIETY

Following a narrow and hotly contested electoral victory in 2006, President Felipe Calderón was able to consolidate his presidency and initially entered into a period of relative support. His administration has been severely challenged over the past year, however, by an upsurge in drug gang violence. Although the government has argued that the gangs' increased violence comes as a response to successes in dismantling their operations, the overall effect has been heightened nervousness on the part of the political class and society at large. Nonetheless, concerns recently raised in the U.S. national security community about Mexico's stability still appear to be premature.

Mexico's political parties are currently scrambling to select their candidates for congressional, state and municipal elections to be held in July of this year. At this time the entire lower house of the Mexican Congress (Cámara de Diputados) will be renewed, as Federal Deputies are prevented by law from serving consecutive terms. Early analyses project that the ruling center-right PAN and the leftist PRD are likely to lose some ground, with gains expected for the country's former long-time single party, the PRI. Some sectors of the PRI support re-opening the NAFTA agreement for possible modifications, however experience suggests that these demands remain largely in the arena of posturing for the sake of domestic consumption.

INTERNATIONAL OFFICE

As we have all heard in the news, out of state travel for state employees has been restricted to specific trips and or events. So for the time being, the International Office staff will continue to organize and facilitate trade programming both domestically and in other countries, but we might not always be able to travel will the delegations. Our foreign offices, contractors and overseas partners will be working hand-in-hand with us to provide seamless assistance to ensure your success when you participate in our programming.

As the State of Iowa works through our budget challenges we will continue to offer export assistance and services to Iowa companies both domestically and internationally. Now, more than ever, companies should be exploring ways to continue to expand customer base throughout the world and we look forward to continuing to assist you.

The International Office staff thanks you for your continued support of our programming.

OTHER INFORMATION

ETAP FUNDING

Export Trade Assistance Program (ETAP) funds have been depleted for this fiscal year. Funding decisions for Fiscal Year 2010 (July 1, 2009, to June 30, 2010) have not been released.

ECONOMIC DEVELOPMENT AND TRANSPORTATION: MOVING IOWA FORWARD

April 8, 2009 - Des Moines Marriott Downtown, Des Moines, IA

7:30 a.m.– 4:30 p.m.

Plan to attend the third annual Moving Iowa Forward Conference, sponsored by Iowa's departments of Economic Development and Transportation. The conference will bring together users and providers of the transportation industry – trucking, barge and rail – and economic development officials who interact with the users and providers in the transportation industries. Do not miss this opportunity to discover some of the trends and innovations used by different transportation systems to protect and grow their businesses and strengthen Iowa's economy. Visit www.iowalifechanging.com/register to register or for additional information.

RESOURCES

EX-IM BANK PROVIDES SOLUTIONS TO LIQUIDITY CHALLENGES

Ex-Im Bank can cover most political and commercial risks in credit-worthy transactions. Small businesses receive a 15 percent premium rate reduction on the short-term small business multi-buyer and short-term small business environmental multi-buyer credit insurance policies. Working capital is now available for indirect exporters – those companies that produce goods or services that exporters rely on to sell their product oversees. More support is available for exports to South Korea. Call 800.565.3946 and press 2 to connect to the nearest office or see http://www.exim.gov/ for additional information.

RESOURCES

FOOD EXPORT ASSOCIATION OF THE MIDWEST ASSISTANCE TO IOWA COMPANIES

The Food Export Association of the Midwest is a non-profit organization composed of Midwestern state agricultural promotion agencies. Food Export utilizes federal, state, and industry resources to help companies increase product sales around the world. The Iowa Department of Economic Development works with Food Export in planning, promotion, and project management during the year on activities such as the Branded Program, buyers missions, trade missions and tradeshows. Iowa companies have access to Food Export sponsored tradeshows, trade missions, buyers mission, and helpline, as well as the Branded Program for international marketing efforts.

The Branded Program is a cost-share funding program that supports the promotion of branded and private label food and agricultural products in foreign markets. Participant companies receive 50 percent cost reimbursement for a wide variety of eligible international marketing and promotional activities. To learn more, visit www.foodexport.org. You can also complete an online Pre-application Worksheet to get pre-qualified!

HARMONIZED SYSTEM

- 2009 version of the Harmonized Tariff Schedule of the United States Annotated (HTUSA) http://www.usitc.gov/tata/hts/index.htm
- 2009 version of the Schedule B codes for use in filing Electronic Export Information via the Automated Export System http://www.census.gov/foreign-trade/schedules/b/2009/index.html
- U.S. International Trade Commission's (ITC) new Harmonized Tariff Schedule (HTS) Online Reference Tool http://hts.usitc.gov/

CBP ANNOUNCES INCREASED PENALTIES FOR AES VIOLATIONS BEGAN FEBRUARY 1

CBP guidelines including a list of violations, a schedule of escalating penalties, and a list of mitigating and aggravating factors that could decrease or increase the amount of the penalties: http://www.cbp.gov/linkhandler/cgov/trade/legal/bulletins_decisions/bulletins_2009/vol43_01022009_no2/43genno2.ctt/43genno2.pdf.

Free Trade Agreements Implemented in 2009:

- Costa Rica becomes eligible for CAFTA-DR Benefits on January 1, 2009
- Oman becomes eligible for U.S.-Oman Free Trade Agreement Benefits on January 1, 2009
- U.S.-Peru Free Trade Agreement to Take Effect on February 1, 2009
- See http://www.usitc.gov/tata/hts/other/rel_doc/annex/index.htm and http://www.export.gov/fta/ for additional information.

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Moving? Or, want to list a new or additional contact? Please contact International@iowalifechanging.com or 515.242.4883 with your updates.

SEVERAL FREE TRADE AGREEMENTS IMPLEMENTED IN 2009

Costa Rica becomes eligible for CAFTA-DR Benefits on January 1, 2009

President Bush issued a Proclamation December 23 providing that the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) will enter into force for Costa Rica on January 1, 2009. U.S. or Costa Rican products meeting the rules of origin of the CAFTA-DR that are entered into the U.S. or Costa Rica, or withdrawn from warehouse for consumption, on or after January 1, 2009, will be eligible for preferential tariff treatment. Costa Rica is the last country to implement the CAFTA-DR. CAFTA-DR entered into force for El Salvador on March 1, 2006, for Honduras and Nicaragua on April 1, 2006, for Guatemala on July 1, 2006, and for the Dominican Republic on March 1, 2007. In October 2007, the voters of Costa Rica narrowly backed the free trade agreement in a national referendum.

Oman becomes eligible for U.S.-Oman Free Trade Agreement Benefits on January 1, 2009

President Bush issued a Proclamation December 29 providing that the Oman-United States Free Trade Agreement will enter into force on January 1, 2009. Omani or U.S. products meeting the rules of origin that are entered into either country, or withdrawn from warehouse for consumption, on or after January 1, 2009, will be eligible for preferential tariff treatment.