



**SOLORZANO**  
CORPORATION

# **CONTRACTING IN LATIN AMERICA**

**June 8<sup>th</sup> , 2011  
Calgary, Alberta**





**SOLORZANO**  
CORPORATION







# Latin America

<p><b>ARGENTINA</b></p> 	<p>Although still hasn't made things right with international financial markets, it was able to come out of the global recession at an annual rate of growth over 7%. Argentina represents 8% on Canada's trade with Latin America</p>
<p><b>Nominal GDP:</b> \$310 billion US</p>	<p><b>Currency:</b> Argentine Peso</p>
<p><b>GDP per capita:</b> \$14,700</p>	<p><b>Merchandise Imports from Canada:</b> \$157 million</p>
<p><b>Total Trade/GDP:</b> 37%</p>	<p><b>Canadian Direct Investment:</b> \$3.3 billion</p>
<p><b>Unemployment:</b> 7.9%</p>	<p><b>Population:</b> 40 million</p>
<p><b>Inflation:</b> 22%</p>	<p><b>Main imports:</b> Machinery, motor vehicles, petroleum and natural gas, organic chemicals, plastics</p>
<p><b>BRAZIL</b></p> 	<p>Largest and more populated country in the region, it accounts for 40% of Latin America's GDP. It is consider a global leading economy. Brazil represents 12% on Canada's trade with Latin America</p>
<p><b>Nominal GDP:</b> \$1.5 trillion US</p>	<p><b>Currency:</b> Brazilian Real</p>
<p><b>GDP per capita:</b> \$8,121</p>	<p><b>Merchandise Imports from Canada:</b></p>
<p><b>Total Trade/GDP:</b> 18%</p>	<p><b>Canadian Direct Investment:</b> \$11.44 billion</p>
<p><b>Unemployment:</b> 6.4%</p>	<p><b>Population:</b> 194 million</p>
<p><b>Inflation:</b> 6.1%</p>	<p><b>Main imports:</b> Machinery, electrical and transport equipment</p>




# Latin America

<p><b>CHILE</b></p> 	<p>Free trade and sound economic policies has made it favourite country in the region. First country in LA to gain membership to the Organization for Economic Cooperation and Development. Chile represents 5% on Canada's trade with Latin America</p>
<p><b>Nominal GDP:</b> \$163 billion US</p>	<p><b>Currency:</b> Chilean Peso</p>
<p><b>GDP per capita:</b> \$15,500</p>	<p><b>Merchandise Imports from Canada:</b> \$644.4 million</p>
<p><b>Total Trade/GDP:</b> 76.50%</p>	<p><b>Canadian Direct Investment:</b> \$601 million</p>
<p><b>Unemployment:</b> 8.7%</p>	<p><b>Population:</b> 16.6 million</p>
<p><b>Inflation:</b> 1.7%</p>	<p><b>Main imports:</b> Petroleum and petroleum products, chemicals, electrical and telecom equipment, industrial machinery, vehicles, natural gas</p>
<p><b>COLOMBIA</b></p> 	<p>Opened doors to investment and business, economic and political stability and safer than ever before, Colombia is an excellent destination for Canadian investment. Colombia represents 3% on Canada's trade with Latin America</p>
<p><b>Nominal GDP:</b> \$241.3 billion US</p>	<p><b>Currency:</b> Colombian Peso</p>
<p><b>GDP per capita:</b> \$5,126</p>	<p><b>Merchandise Imports from Canada:</b> \$564.6 million</p>
<p><b>Total Trade/GDP:</b> 31.70%</p>	<p><b>Canadian Direct Investment:</b></p>
<p><b>Unemployment:</b> 14.7%</p>	<p><b>Population:</b> 48.9 million</p>
<p><b>Inflation:</b> 3.2%</p>	<p><b>Main imports:</b> Intermediate goods</p>



# Latin America

<b>MEXICO</b>		Strong economy closely interwoven with US Economy. Mexico represents 53% on Canada's trade with Latin America
<b>Nominal GDP:</b> \$890 billion US		<b>Currency:</b> Mexican Peso
<b>GDP per capita:</b> \$9,460		<b>Merchandise Imports from Canada:</b> \$8 billion
<b>Total Trade/GDP:</b> 62%		<b>Canadian Direct Investment:</b>
<b>Unemployment:</b> 5.4%		<b>Population:</b> 109 million
<b>Inflation:</b> 3.6%		<b>Main imports:</b> Intermediate goods (52%)

<b>PERU</b>		Fastest growing economy in the region. Commodities and construction. Number 1 in the region for ease of doing business. Peru represents 8% on Canada's trade with Latin America
<b>Nominal GDP:</b> \$130 billion US		<b>Currency:</b> Nuevo Sol
<b>GDP per capita:</b> \$4,469		<b>Merchandise Imports from Canada:</b> \$393 million
<b>Total Trade/GDP:</b> 44%		<b>Canadian Direct Investment:</b> 601 million
<b>Unemployment:</b> 9%		<b>Population:</b> 29.8 million
<b>Inflation:</b> 2.2%		<b>Main imports:</b> Petroleum and petroleum products, plastics, machinery, vehicles, iron and steel, wheat and paper



# Introduction:

Be aware of differences in



- ✓ International Contracts are typically more difficult and time consuming than negotiating a domestic deal.
- ✓ Proceed cautiously and minimize risk.



# PART I - Assessing and Selecting Your Partner

---

## I.1. Why Entering A Contract:

- ✓ Local participation required by law
- ✓ Ability to deal with local government (Authorities)
- ✓ Recruit local capital and management personnel
- ✓ Access local markets



# Part I - Assessing and Selecting Your Partner

---

1.2.

## What Type Of Contract Do I Want To Enter Into:

- ✓ Joint Venture
  - Non Equity
  - Equity
- ✓ Partnership
  - Optional
  - Required By Law
- ✓ Representation
  - Territorial
  - Exclusivity
- ✓ Commission Or Marketing (Etc.)



# Part I - Assessing and Selecting Your Partner

---

## I.3.

## Selecting a Partner:

- ✓ Devote sufficient amount of time and resources to the screening process
- ✓ Establish a relationship with the prospective partner
- ✓ Gather as much information as possible about your potential partner and get an expert to review such information
- ✓ Identify similarities with your prospective client (philosophy, financial resources, corporate policies, etc.)



# Part I - Assessing and Selecting Your Partner

---

## I.4. Due Diligence Process:

### Definition:

Acquire objective and reliable information to determine the absence of significant negative factors to reduce risk on your venture.



## Due Diligence Process (cont.)

---

Request from your prospective partner the following information and get an expert to review it:

✓ Corporate Documents:

- Articles of incorporations and Bylaws
- Minutes books (variations of capital, shareholders structures, etc.)
- Appointment of officers
- Powers of Attorney granted



# Due Diligence Process (cont.)

---

## ✓ Contracts and commitments:

- Services contracts
- Employment contracts
- Leasing agreements
- Affiliates
- Existing litigations



# Due Diligence Process (cont.)

---

✓ Legal requirements to operate:

- Licences
- Permits
- Certifications
- Registrations
- Regulatory compliance



# Due Diligence Process (cont.)

---

## ✓ Debt and Financing:

- Loan Agreements
- Mortgages
- Guarantees, etc.



# Due Diligence Process (cont.)

---

## ✓ Assets status:

- Owned
- Leased
- Clear titles
- Limitations
- Property taxes



# PART II - Drafting Your Contract

---

## II.1.

## Tax considerations:

Failure to consider all tax implications may doom your venture from the beginning.

- ✓ Effective tax planning:
  - Maximize profitability
  - Minimize tax impact



# PART II - Drafting Your Contract (cont.)

---

- ✓ Existence of tax treaty between Canada and the jurisdiction you are entering into, regarding:
  - Repatriation of capital
  - Dividends and earnings
  - Double taxation
  - Foreign tax credits
  - In-kind and technology contributions
  - Customs duties
  - Taxation of shareholders



# PART II - Drafting Your Contract (cont.)

---

## II.2. Dispute Resolutions:

- ✓ It is not a separate agreement per se but does require significant efforts during the negotiations.
- ✓ Effective mechanisms for the resolution of conflict will prevent for premature termination.
- ✓ Prevents from a costly litigation.
- ✓ Anticipate major areas of conflict.



# PART II - Drafting Your Contract (cont.)

---

## II.2.1 Arbitration Clause:

- a) Forum
- b) Scope of Arbitration
- c) Arbitration law



# PART II - Drafting Your Contract (cont.)

## II.2.2 Mediation Clause:

- a) Termination/ Exit Clause
  - Sell- Buy
  - Both parties sell
- b) Failure to fund capital call
  - Dilute interest
  - Sell
- c) Deadlock
  - Buyout provisions
  - Neutral 3rd vote to break



# PART II - Drafting Your Contract (cont.)

---

## II.3 Accessory agreements:

### II.3.1 Transferring Technology

- Conveyance of rights in patents and technologies
- Confidentiality
- Distribution of rights to the technology upon termination of the relationship



# PART II - Drafting Your Contract (cont.)

---

## II.3.2 Labour relations:

- ✓ Employees
- ✓ Service providers



# Conclusion

1

It is to your advantage to ensure the longevity of your venture through a proper due diligence and planning.

2

Anticipate a long process before you reach a final agreement. Therefore, it is highly recommended to draft and execute a letter of intent setting forth in summary the main objectives and proposed resolutions of the principal issues.



**SOLORZANO**  
CORPORATION

# International Contracting

---

**Carlos Solorzano**

**(403) 718-9808**

**[carlos@solorzanocorporation.com](mailto:carlos@solorzanocorporation.com)**

