

What's ahead for Latin America in 2013

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On December 6th, Amazon — with a Kindle Store and all — launched in Brazil. At the same time, Colombia announced an increase of nearly 6 percent in exports from a year ago; and even more welcoming, Credit Suisse proclaimed that the investment bank is bullish on Mexico and Brazil in 2013.

The shape of things to come for Latin America in 2013? Perhaps — as long as one does not see the region as monolith, but as a “great divide” — with pro-market regimes in countries such as Chile, Mexico, Colombia, Brazil, Peru, and Panama and anti-market regimes in Ecuador, Nicaragua, Bolivia, Argentina, Cuba, and Venezuela.

How the region fares next year will be shaped by macroeconomic factors, the business environment and driven especially by consumer empowerment and technology.

- With a few exceptions, such as Argentina and Venezuela, Latin America will continue to hone to prudent fiscal and monetary policies; trade, investment and regulatory liberalization; privatization; and market-based prices. The challenges to growth lie more with tax regulations, infrastructure, the legal system, and the microeconomic behavior of firms and entire industries. Growth for 2013 is projected to be 4 percent and could be higher if Chinese demand recovers from its decline, poverty levels continue to decline, and credit expansion accelerates.
- The business environment is also critical. According to the World Bank's latest Doing Business Report , Latin America has both slipped and advanced across a number of dimensions (e.g., accessing credit, paying taxes) worldwide. While Chile, Colombia and Mexico are ranked within the top 50 among 185 nations for “Ease of Doing Business,” Argentina (No. 124), Brazil (130), and Venezuela (180) score worse than Uganda, Yemen and Pakistan.

The good news is that thanks to sound banking systems in the region, nearly 80 percent of banks expect to increase lending to small and medium size firms and consumers. Mergers and acquisitions activity should exceed \$120 billion, private equity and venture capital should witness an upswing, and both multinationals such as Caterpillar, Telefónica, and Volkswagen, and multilatinas such as América Movil, JBS, and Cencosud should perform very well.

- Consumers have been playing a key role — if not the most important one — in driving business and economic growth in the region, even in commodity-producing nations. They will continue to do so in an even larger sense in 2013. With relatively low inflation in most countries, increasing access to credit (mainly plastic), and an array of locally-made as well as imported products at a wide range of price points, fast growing middle-class consumers as well as those at the “bottom of the pyramid” will continue as major drivers of growth in the region.
- Ever increasing access to, and adoption of, technology across the spectrum is nothing short of revolutionary. After China, Chile, Brazil, Argentina and Mexico are the fastest growing iOS and Android markets. From mobile banking for the unbanked to the proliferation of world-class hardware and software

systems, CRM, ERP, cloud computing, e-commerce and the proliferation of mobile apps and social media, Latin America is embracing technology as never before.

Accelerators and incubators, such as NXTP Labs, Anjos do Brasil, Wayra, and Start-Up Chile are providing a welcoming space and fruitful pathway for young techies to develop their talents and commercialize their innovations.

Recognizably, Latin America is not immune to the external environment. Continuing fiscal crises and recession in Europe, an anemic recovery in the U.S. and a debt crisis there, and an economic slowdown in China will all impact Latin America to greater and lesser degrees. Within this backdrop there is the region's relationship with the United States. Here we can expect very little change in policy in a second Obama term.

Other than NAFTA partners Mexico and Canada, Cuba, and perhaps Brazil, and movement towards a Trans-Pacific Partnership (Asian nations plus the U.S., Peru, and Chile), the region will continue to be off the radar screen of foreign policy, with the exception of drug trafficking and immigration.

"Steady at the helm" should be the mantra for Latin America in 2013, a year which will mark incremental improvement from 2012. In a global environment characterized by volatility, economic malaise, and uncertainty, this is perhaps the most realistic course of action for the region to pursue.

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