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Region's fortune is ours

BY JERRY HAAR
haarj@fiu.edu

The closing year was not a good one for Latin America -- but it was a lot better than for most other regions.

Latin America's GDP shrank by 2.6 percent and foreign direct investment ($141 billion) plunged by one-third to $94 billion. Yet the region was cushioned from the harshest blows of the global economic recession thanks to responsible macroeconomic policies. It's now poised for a solid recovery. The United Nations Economic Commission for Latin America and the Caribbean predicts a 4.1 percent growth rate in 2010.

This promises a boost for South Florida's economic fortunes, which are tied closely to Latin America's growth. Tourism, international trade, real estate, retailing and distribution and financial services rely heavily upon business with the region.

Latin America accounts for the largest number of visitors to South Florida, beating out Europe by 3-to-1, and nine of our top 10 trading partners come from Latin America. Trade with the region means much more than transshipment. Florida ranks fifth in the nation in state-origin exports. That includes electrical equipment and machinery, computers, medical devices and spare parts -- much of it destined for Latin America.

As the pace of U.S. economic recovery accelerates, the region's commodities, natural resources, apparel, furniture and other manufactured goods should receive a boost; improvements in South Florida's economy should spark an increase in remittances -- especially to Central America -- as wages and employment firm up.

The principal drivers of Latin America's improved economic growth in 2010 will be the overall recovery in the world economy; a boost in consumer spending in domestic markets; an uptick in remittances as the United States and Europe recover; and the continued pursuit of sound fiscal and monetary policies.

Signs of confidence are plentiful, with foreign direct investment as a good barometer. Ford intends to invest $2.3 billion in Brazil while Infosys, India's second largest software producer, plans to set up a wholly-owned subsidiary. Wal-Mart aims to relaunch its banking operations in Mexico and Wendy's/Arby's is firmly committed to expanding throughout Latin America. Private capital inflows are expected to increase to $150 billion -- more than pre-crisis levels.

While 2010 will be one of recovery for Latin America, the impacts will be uneven, and intractable problems, beyond politics and society, will remain. In this scenario, pro-market democracies such as Chile, Colombia, Panama, Peru, Costa Rica, Brazil and Mexico will see their fortunes improve. The statist economies of Venezuela, Ecuador, Bolivia and Nicaragua will not. (Were it not for wheat and soybean exports, Argentina would barely improve.)

Finally, the enduring state of the business environment will retard the region's ability to maximize the recovery. The World Bank's Doing Business 2010 ranks Latin America 95th overall for the ease of doing business compared to 183 other countries.

Deficiencies in taxation, regulations, workforce, public safety, credit access, infrastructure and the administration of justice continue to impede the region's competitiveness.

Miami's depressed condo market should remain a bargain shopper's delight, as excess inventory and falling prices motivate Latin American investors to accelerate their purchases. Meanwhile, South Florida will continue to attract large amounts of capital -- physical and human -- thanks to the (unintended) promotion efforts of Hugo Chávez, Daniel Ortega, Rafael Correa and Evo Morales.

The role of government cannot be overlooked as a catalyst for a South Florida-Latin American commercial resurgence. Nations in the region need to pursue market-stimulating policies, both macroeconomic and institutional, and the United States is no exception. The Obama administration and Congress must eschew the protectionist pressures of organized labor while enforcing existing trade agreements.

The recent one-year extension of the Andean Trade Preference Act is a positive sign; however, the failure to secure passage of U.S. free trade agreements with Panama and Colombia is a slap in the face of these two important neighbors.

At the state and local level, it is imperative that well-designed, targeted and coordinated trade and investment missions replace the ill-conceived, ad hoc and unproductive junkets that have taken place too often in recent years.

If the U.S., European and Latin American governments take actions to expedite recovery, further liberalize markets and stimulate growth, 2010 could be a banner year for the Americas. That spells good news for South Florida.

Jerry Haar is an associate dean and professor in the College of Business Administration at Florida International University. His latest book, co-authored with John Price, is Can Latin America Compete?
