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Latin Business: Best & Worst

Best for doing business: Chile, Mexico and Uruguay. Worst: Haiti, Bolivia and Nicaragua.

CONGRATULATIONS! Presidents Felipe Calderon of Mexico and Michelle Bachelet of Chile in Mexico City in March. They lead the two best countries in Latin America for doing business. (Photo: Mexican President's Office)

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BY CHRONICLE STAFF

Chile cements its position as the best country in Latin America to do business in, according to the second annual Latin Business Index from *Latin Business Chronicle*.

"Chile is actually a *developed developing country,"* says Jerry Haar, a professor of management and international business and associate director of the Knight Ridder Center for Excellence in Management in the College of Business Administration at Florida International University. "It's not Belgium, but it's not Bolivia either."

Kathleen Barclay, the Chile-based former executive with JP Morgan Chase who chairs the Association of American Chamber of Commerce in Latin America, also sings the country's praises.

"Doing business in Chile is straightforward - there is sustainable economic growth and solid political institutions," she says. "The rules of the game are clear and investors - foreign or domestic - are given the equal treatment. Most importantly, when doing business with Chile you deal with quality people who have high ethical standards, The challenge to be successful in Chile is to be competitive."

Mexico, Latin America's second-largest economy, came in second. However, Uruguay replaced Costa Rica as Latin America's third-best country to do business in.

The index of 19 countries looks at five key categories and 28 subcategories to measure the recent, current and future business environment in a country. They are:

- Macro Environment (GDP growth 2005 and 2006, estimated growth this year and forecasted growth next year, GDP per capita and inflation 2005 and 2006, estimated inflation this year and forecasted inflation next year).
- Globalization & Competitiveness (globalization, competitiveness,

tariffs and education/ health).

- Corporate Environment (corporate tax rates, access to capital for entrepreneurs and ease of doing business, including starting and closing a business).
- Technology Level (PC, Internet, wireless and fixed telephony penetration).
- Political Environment (political freedom, economic freedom, political stability, political outlook, business policies of government, degree of transparency and security).

Although Argentina and Venezuela have increasingly implemented investor-hostile policies, they both ended up relatively high on the index thanks to strong economic growth in recent years and high levels of GDP per capita. Argentina came in fourth place (up from fifth last year), while Venezuela kept its seventh place. However, compared with their economic size - and thus logical attractiveness for business - they both rank behind. Argentina slightly since it's Latin America's third-largest economy and Venezuela even more so, since it's the region's fourth-largest economy. Factors pulling down their overall ranking include low scores in socio-political environment.

Haiti again ranked at the bottom, followed by Bolivia. Haiti's score of 13.40 points was three times lower than Chile's score of 41.19 points.

Measured by trade groups, Mercosur fared best, with an average score of 27.89 points, followed by CAFTA at 23.08 points and the Andean Community last at 22.78 points. However, all trade groups lag Chile, Mexico (32.71 points) and Panama (29.16 points).

If ALBA - the political-economic alliance headed by Venezuela - is also included, it comes in last. ALBA consists of Bolivia, Cuba, Nicaragua and Venezuela. As reliable information from Cuba is difficult to obtain, it is not included in the Latin Business Index. But the average of Bolivia, Nicaragua and Venezuela is 21.46 points.

The best and worst within each trade group are:

- ALBA: Venezuela best and Bolivia worst.
- Andean Community: Colombia best and Bolivia worst.
- CAFTA: Costa Rica best and Nicaragua worst.
- Mercosur: Uruguay best and Paraguay worst.