Global economic outlook from Kroll, Kraft Latin America and FIU

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The world economy will recover in 2011, with some areas growing faster than others. But there may be surprises too: Mexico, for example, could outperform Brazil if the U.S. rebound picks up speed, and Mexican factories significantly boost production to supply their U.S. consumers.

Those were among the varied predictions at WorldCity's "2011 Global Economic Outlook," a Global Connections event held Jan. 28 and attended by more than 100 people.

FIU's Jerry Haar

Business professor Jerry Haar, an associate dean at Florida International University, offered the overview. He said the recovery from global recession that gained pace in 2010 will continue in 2011 but proceed unevenly.

Asia will grow fastest, Europe slowly and Latin America in the middle. Within regions, growth also will vary by country, based partly on how well leaders steer politics and economics.

In Latin America, for instance, Haar said, winners will include pro-market democracies Brazil, Peru, Chile and Uruguay. Losers will be those countries led by statist presidents who have alienated private investors: Venezuela, Ecuador, Nicaragua and Bolivia.

"Those are four countries, I believe, that can be more competently managed by any of the cast members of *Jersey Shore*," the raucous TV reality show, Haar joked.

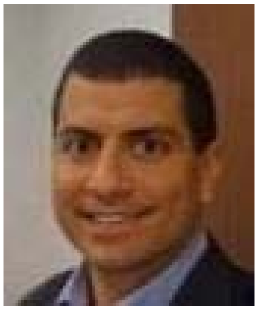
Numbers show the unevenness. Worldwide, economic growth is forecast at 4.25 percent this year, with emerging markets surging at 6.5 percent powered by China's nearly 10 percent speed and India's 8.4 percent gains. The United States will lag at 2.6 percent, while Latin America gains at an average 4.1 percent pace, Haar said.

Kroll's John Price

Helping Latin America are increasing prices for its exports of oil, copper and other commodities. Chinese companies are increasingly buying Latin American mining businesses to secure long-term supplies, mobilizing China's vast reserves of foreign currencies to seal the deals, said **John Price, managing director of business intelligence services for Latin America at Kroll risk consulting company.**

But over-reliance on commodities is risky, Haar said, urging diversification for economies long-term. Latin America now relies on commodities for more than half its output, up sharply from about 40 percent last decade before prices spiked for oil, metals, soybeans and other basics, said Haar.

Participants covered a wide range of forecasts and topics at the nearly 90-minute event, including:



Kraft Latin America's Joe-Karim Tamer

Central America and the Caribbean: The area has been hard hit by slow tourism, declining remittances from its émigrés abroad and high prices for the oil and other commodities that it imports. But longer-term prospects may favor investment , "if Central America can join together and if you get in early," said **Joe-Karim Tamer, manager for strategy, mergers and acquisitions for Kraft Foods Latin America.**

Free trade agreements with the United States: President Barack Obama raised hopes for passage of languishing U.S. free trade pacts with South Korea, Colombia and Panama by mentioning them in his recent State of the Union address. Delivery giant FedEx, for one, backs speedy passage, expecting the accords to boost commerce, especially U.S. exports, said **Don Johnson, senior manager for customs and regulatory affairs for FedEx in the Mexico, Central America and Caribbean region.**

But Haar saw little chance for Colombia and Panama accords to pass because of U.S. labor opposition and other priorities for the Obama administration, including concerns over the rising U.S. deficit.

Mexico: The Mexican economy has been slow to recover from global recession because of its reliance on sales to the slow-growing U.S. market. But a strengthening U.S. economy promises to boost Mexico's growth this year, especially from its factories that export. Growth could outpace Brazil's, Price said.

Latin American investment into the United States: With the U.S. dollar weak and currencies strong in Brazil and other Latin American markets, the trend now is for Latin American companies to buy more U.S. businesses. Two examples this fall: A Brazilian-backed group bought Burger King for more than $3 billion and Mexico's Bimbo bought Sara Lee's North American bakery business for nearly $1 billion.

"From an investment perspective, the undervalued assets are here" in the United States, said Kraft's Tamer, noting Latin American companies have an edge to tap the growing U.S. Latino population.

Panama: Panama's economy has been leaping ahead for years for several reasons: investment in housing from Venezuelans, Colombians and U.S. retirees; more banking, spurred partly by tighter bank rules in the United States; and booming logistics, linked to the $5 billion expansion of the Panama Canal.

Aeropost's Jim Fendell

But can Panama's boom last, and how does it affect Miami as a trade hub?, asked **Jim Fendell, president of mail and packaging forwarding company Aeropost International Services.**

Price said Panama will grow as a logistics hub. Global trade with Latin America is shifting from a U.S. and European focus toward Asia. Goods arriving by giant freighters from Asia will increasingly unload in Panama and distribute cargo there to smaller ships bound for South America, bypassing Miami, he said.

That's partly because tougher U.S. rules on trade and banking since Sept. 11, 2001 terrorist attacks have raised the cost and paperwork for doing business in the United States, sending some companies offshore. Haar joked that some U.S. oversight seems not just supervision but "snoop-er-vision."

Latin America's growing middle class and rising consumer credit: For U.S. companies, opportunities abound in Latin America's growing middle class and consumer boom, fueled by the expansion of consumer credit in recent years. The boom means bigger markets for everything from refrigerators to air-conditioners, automobiles to snack-foods and even pay-TV channels, participants said.

Companies also can reach those consumers at a lower cost nowadays with ads and marketing on Web sites, cell-phones and social media, instead of more expensive newspapers or network TV.

"The consumer economy in Latin America, I see, as the biggest winner over the next three years," said Price.

Global Connections is one of seven event series that WorldCity organizes to bring together executives on international business topics. The Global series is sponsored by FIU School of Business Administration and by real estate company Waterford at Blue Lagoon.

The next event is scheduled for Feb. 25 on "Energy in Latin America: From Oil to Alternatives."