
The Rise Of Latin America

By Lothar Katz

Have you checked your Brazilian index funds lately? At the time of this writing, mine are up more than 70% from a year ago – in a market that has been anything but upbeat. What? You don't own Brazilian funds? Latin America mostly triggers associations such as “underdeveloped,” “inflation,” “high crime rate,” and “Hugo Chavez” in your mind? Friend, you may want to recalibrate your binoculars and focus a little more on major developments in the region!

Brazil is enjoying tremendous economic growth, at twice its historic rates across a variety of sectors, from energy to industrial manufacturing, to the automotive industry, to farming. Farming? Indeed, the country's agricultural exports grew by more than 8% each year during the last *ten years*.

As a matter of fact, much of Latin America has been doing surprisingly well in recent years, especially when compared with the economic turmoil and inflation chaos of the 80's and early 90's. While not without economic challenges, the countries in the region are enjoying relatively low inflation rates, strong foreign trade, significant investments from abroad, and improving standards of living. Costa Rica, with its good education system and 96% literacy rate, has received sizeable IT investments, including the establishment of large product and service development centers by global leaders such as Hewlett-Packard. Medellín in Colombia, mostly known to the world as ‘Cocaine Central,’ now hosts the headquarters of a growing roster of multinationals, from Toyota to Philip Morris. Chile emerged from a period of reforms as one of the region's leading economies, partly driven by the continuing rise in demand for its natural resources, among them copper and other precious metals. Bolivia saw Indians investing billions of dollars in local mining and steel companies. Argentina, Brazil, Ecuador, Peru, and Venezuela all have concluded oil and gas deals with China. In addition, Brazil's Petrobras oil giant morphed into a strong and innovative global player and now trades on the New York Stock Exchange. These are but a few examples of a wave of changes happening almost everywhere south of the U.S. border.

Driving Forces

Latin America continues to profit from a number of global trends. A big factor is the enormous demand for raw materials, commodities, energy, and food caused primarily by China's and India's extraordinary economic growth and rapidly rising standards of living. It would be oversimplified, though, to attribute the rise of Latin America solely to its rich natural resources. The region has also seen a steady rise in manufacturing, with numerous U.S. and European corporations either off-shoring production or investing in new factories in order to participate in the local market boom. On top of that, a number of Central and South American countries have become hot destinations for IT development, call centers, and other business processes and services.

Cultural Adjustments

Along with these economic changes, Latin Americans have adjusted some of their cultural practices. While not quite disappearing, traditionally strong 'machismo' values are mellowing. Across the region, women have entered the workforce and achieved successful careers in large numbers. For instance, Chile elected its first-ever female president in 2007. A woman holding this country's most powerful position would have been all but unthinkable only a decade or two ago.

Other cultural characteristics shown signs of 'modern times,' too. One is people's orientation towards time. Punctuality was never a strong suit in most Latin American countries. It still isn't. Nevertheless, there is now a much greater sense of urgency in business centers such as Sao Paulo in Brazil or San Jose in Costa Rica, where little evidence of the proverbial 'mañana' mentality foreign investors love to hate can be found. Hierarchical attitudes are also changing, and the region's young and well-educated enjoy taking initiative and holding significant responsibility.

Outlook

Even the most advanced Latin American countries still have a long way to go before they can catch up with North America or Europe. The region is on the rise, though, and infrastructure, people, and cultural attitudes are all gradually changing. At a time when most eyes are on China and India, Latin Americans may well be among the biggest winners in this age of globalization.

Lothar Katz is an International Business Advisor and the author of "Negotiating International Business – The Negotiator's Reference Guide to 50 Countries Around the World". He has a wealth of experience in achieving productive cooperation across cultures and driving business success on a global scale.

A seasoned former executive of Texas Instruments, a Fortune 500 company, Lothar regularly interacted with employees, customers, outsourcing partners, and third parties in more than 25 countries around the world. He teaches International Project Management at the University of Texas at Dallas' School of Management and is a Business Leadership Center instructor at the Southern Methodist University's Cox School of Business.

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+1-469-522-3389

lk@leadershipcrossroads.com

www.leadershipcrossroads.com