Latin American Challenges and Opportunities: Implications for the U.S.

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Nov. 14, 2013
Latin America

• Underdeveloped and very diverse:
   Income and level of development.
   Growth.
   Geopolitical.
   Trade and Investment with the U.S.

• Population: almost twice that of the U.S.

• Natural resources.
Another Melting Pot:

A VERY DIVERSE REGION
Diversity in Race
Diversity in Languages

- Portuguese (Brazilian!)
- English
- French
- Español
Diversity in Natural Resources

North America

South America
Diversity in Food!
...In Music!!
And in drinks!
Important Differences in Income Levels

Per Capita Incomes as % of U.S., 2011
Very Unequal Income Distribution
Relationships between the U.S. and their neighbors
U.S. Free Trade Agreements

Countries with U.S. FTAs
Key Markets Missing

• Brazil and Argentina
  – Large markets.
  – Agricultural powers.

• Bolivia and ....Venezuela
  – Energy (oil, gas; lithium)
Quo Vadis?

TRENDS IN THE REGION
INCOME TRENDS
How Far Behind is Latin America?

Number of Years behind the US.
Relative Trends in Income

Per Capita Income Relative to the U.S.


- Latin America
- China
- South Korea
POPULATION
EDUCATION TRENDS
Education Enrollments

Latin America & Caribbean

U.S.A.
Yet...Quality of Education?

PISA Scores 2009

- Argentina
- Brazil
- Chile
- Colombia
- Mexico
- Panama
- Peru
- Trin & Tobago
- Uruguay
- United States
- OECD average
- World Average

Reading vs Math vs Science
Why this matters for the U.S.?
Immigration Patterns in the U.S.

A widespread Trend towards...

DEMOCRATIZATION!
The Region Moved towards Democracy

-10= very dictatorial;                +10= very democratic

Central-North Caribbean
South America
1970 vs. 2010

Central-North America & Caribbean

South America

-10= very dictatorial; +10= very democratic

1970

2010

Costa Rica  Cuba  Dominic. Rep  El Salvador  Guatemala  Haiti  Honduras  Jamaica  Mexico  Nicaragua  Panama

Argentina  Bolivia  Brazil  Chile  Colombia  Ecuador  Guyana  Paraguay  Peru  Uruguay  Venezuela
OPENNESS TO INTERNATIONAL TRADE & ORIENTATION TO MARKET ECONOMY
Fraction of “Open” Countries

(a) North and Central America and Caribbean

(b) South America
How about...

DOING BUSINESS IN LATIN AMERICA?
Ease of doing Business, World Rankings 2013

The graph shows the ranking of various countries based on the ease of doing business in 2013. The countries are ranked from the United States at the top, followed by Canada, Chile, Puerto Rico, Peru, Colombia, Mexico, Panama, Trin. & Tob., Barbados, Uruguay, Jamaica, Guatemala, Belize, Paraguay, Costa Rica, Domin. Rep., El Salvador, Brazil, Argentina, Nicaragua, Honduras, Ecuador, Bolivia, and Haiti, respectively. The vertical axis represents the ranking numbers, ranging from 0 to 200.
How Easy to Start a New Business

Number of days to Start a Business

- United States
- Canada
- Chile
- Puerto Rico
- Peru
- Colombia
- Mexico
- Panama
- Trin. & Tob.
- Barbados
- Uruguay
- Jamaica
- Guatemala
- Belize
- Paraguay
- Costa Rica
- Dominican Rep.
- El Salvador
- Brazil
- Argentina
- Nicaragua
- Honduras
- Ecuador
- Bolivia
- Haiti
- Venezuela, RB
HOW EASY IS TO START A NEW BUSINESS?

Cost (% of income per capita)
How Easy to Start a New Business

Number of days to get a construction Permit

- United States
- Canada
- Chile
- Puerto Rico
- Peru
- Colombia
- Mexico
- Panama
- Trin. & Tob.
- Barbados
- Uruguay
- Jamaica
- Guatemala
- Belize
- Paraguay
- Costa Rica
- Dominic. Rep
- El Salvador
- Brazil
- Argentina
- Nicaragua
- Honduras
- Ecuador
- Bolivia
- Haiti, RB
How Easy to Start a New Business

Number of days to get electricity

United States, Canada, Chile, Puerto Rico, Peru, Colombia, Mexico, Panama, Trin. & Tob., Barbados, Uruguay, Jamaica, Guatemala, Belize, Paraguay, Costa Rica, Domin. Rep., El Salvador, Brazil, Argentina, Nicaragua, Honduras, Ecuador, Bolivia, Haiti, Venezuela, RB
And if You Go On and Overcome all of that....

... WHO REAPS THE BENEFITS?
TAXES!

Total tax rate (% profit)
Contracts and Investments
Enforcing Contracts

Cost of Enforcing a Contract (% of claim)
Enforcing Contracts

Recovery rate in Insolvency Cases
(cents on the dollar)
What about trade with the rest of the World?
Waiting time to Trade

Days to export (blue) & import (red)
Costs to Trade

Cost to export (blue) & import (red) (US$ per container)
WRAPPING UP.....
In Sum

Opportunities:

- Large, diverse region.
- Younger population.
- Democratization.
- Expansion of education.
- Geography.
- Additional markets.

Challenges:

- Underdeveloped, poor, unequal.
- Quality of education.
- Bureaucracy.
- Business climate.
- Protectionism.
- Illegal immigration & resistance to legal immigration.