



Universidad
Tecmilenio®



International Business Management

Economic poles in Latin
America

Week 8



Mental activity of fresh look

Before you begin, do the following mental activity that will help you to improve your concentration.

<https://www.youtube.com/watch?v=NMkE477r-fg>





In this eight week, you will explore the main aspects of the economic poles in Latin America, and you will get a better understanding about its cultural diversity and the characteristics of its free agreements.

First, policy and economic incentives are two important drivers for growth in Latin America. Entrepreneurs are always looking for clear and lean procedures to start new businesses, more transparent rules and regulations, easy requirements to meet, lower restrictions/tariffs on imports and exports, access to affordable financing, strong domestic markets, and good infrastructure for efficient transportation.

There are two kinds of countries, the ones that rely on a government-assisted economic development, and the ones based on the spirit of free markets and equal competition.

This divide has little to do with western Latin America's orientation toward a dynamic Asia or the eastern countries' exposure to a stagnant Europe.

Blessed with abundant natural resources and an almost 200-million-strong consumer market, Brazil remains the regional economic giant. And Venezuela commands some of the largest petroleum reserves in the world. Yet, at the end of a decade-long boom driven by cheap money and strong commodity prices, growth in both countries is lagging that of many of their neighbors.



Talking about the membership at Mercosur, by far the strongest economy is Brazil. Argentina used to be at the top for a while, but it has lost momentum with the controversial current administration. Yet, the agreement that governs this regional bloc offers multinational companies that have established their headquarters in the region, the valuable benefit of lower tariffs when moving goods between member states.



The other kind of economic poles, the one based on free markets and equal competition is the Pacific Alliance, a recent multinational initiative spearheaded by Mexico, Chile, Colombia and Peru (as a counterweight to Mercosur's economic and political muscle).

A big difference between them is that Mercosur is mainly focused on lower trade tariffs, while the Pacific Alliance leads efforts towards a free movement of capitals (including a financial integration), goods, and labor.



In general, the whole Central American region has seen little domestic development. Most countries are very centralist in terms of public administration (Góches, 2017), with the clear exception of Honduras, where most of the economic activity happens in the city of San Pedro Sula (Johnson & Lefebvre, 2013), not in the capital city of Tegucigalpa. San Pedro Sula is also one of the most dangerous cities. The Caribbean, on the other hand, is changing rapidly, Cuba and the United States restored diplomatic relations when an agreement to resume normal ties on July 20, 2015, took effect.



Reflect on what you have learned and answer the following activity:

- Look for a recent competitive ranking report to rank countries according to infrastructure (second pillar.)
- Pay attention to the top 10 countries in Central and South America and the Caribbean: Costa Rica, Peru, Colombia, Guatemala, Uruguay, El Salvador, Jamaica, Trinidad and Tobago, Nicaragua, Honduras. Compare their rankings in specific indicators.
- Make a graph where you place each of the 10 countries and correlate two indicators, for example, infrastructure in the X-axis and GCI in the Y-axis.



International Business Management

Cultural diversity in
Latin America

Week 8



Explanation

The concept of Latin American is not an easy one. In general, it covers a big array of cultures that are encompassed in all-that-land within the Western hemisphere outside the United States and Canada (maybe including southern California.)

All these nations, countries, and peoples share a common ground, a violent European colonization process that took place five centuries ago, carried out mainly by the Spaniards and the Portuguese (also known as “la Conquista”).



The Spanish language is widely spoken throughout the region, Brazil being the big exception, since Portuguese is the official language there. And let's not forget English-speaking Belize, the Guianas (colonized by the French), and several former colonies in the Caribbean which are very small and not economically significant, though.

In terms of business, culture and social dynamics in the workplace, **Latin America ranks high in collectivism, closeness, and high-power distance.** As opposed to the United States and Canada, we Latin Americans identify ourselves as part of a group wherein we try to protect each other. Closeness, in this context, represents deep emotional bonds and physical proximity. These cultural features are further reinforced in family life, as expected.



Explanation

There is progress, however, towards a more democratic and open society in Latin America, but bigger efforts need to take place, in particular regarding the enforcement of the rule of law. Respect of the law can be an incredible asset for the region in terms of certainty, safety and security.

As we can see in the next map, two-thirds of Latin American countries languish in the bottom half of transparency international's corruption perceptions index, and the region's long, rich history of corruption still shows few signs of abating.

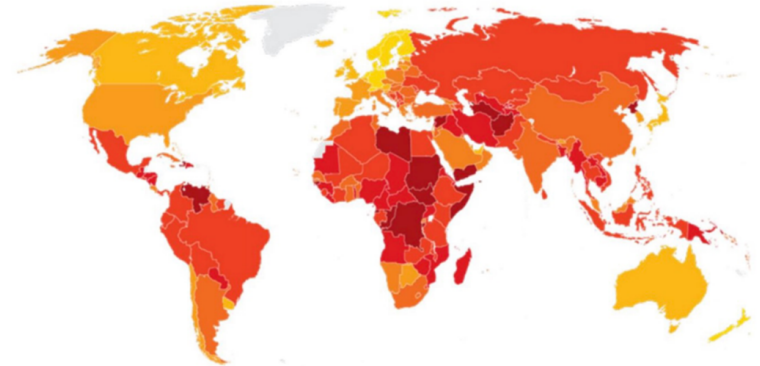
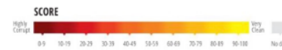
TRANSPARENCY INTERNATIONAL

CORRUPTION PERCEPTIONS INDEX 2020

**180 COUNTRIES.
180 SCORES.**

**HOW DOES
YOUR COUNTRY
MEASURE UP?**

The perceived levels of public sector corruption in 180 countries/territories around the world.



SCORE	COUNTRY/TERRITORY	RANK	SCORE	COUNTRY/TERRITORY	RANK	SCORE	COUNTRY/TERRITORY	RANK
88	Denmark	1	67	France	23	56	Georgia	45
88	New Zealand	1	67	Chile	25	56	Poland	45
85	Finland	3	61	United States	25	55	Saint Lucia	45
85	Singapore	3	60	Seychelles	27	54	Hungary	69
85	Sweden	3	60	Taiwan	28	54	Dominica	48
85	Switzerland	3	60	Barbados	29	54	Czechia	49
84	Norway	7	63	Bahamas	30	53	Romania	69
82	Netherlands	6	63	Qatar	30	53	Oman	49
80	Germany	9	62	Spain	32	53	South Africa	69
80	Luxembourg	9	61	Korea, South	33	53	Rwanda	49
77	Australia	11	63	Russia	33	53	Tunisia	69
77	Canada	11	60	Botswana	35	51	Ghana	75
77	Hong Kong	11	60	Brunei	35	51	Italy	52
77	United Kingdom	11	60	Darussalam	35	51	Malaysia	57
76	Austria	15	60	Israel	35	51	Namibia	57
76	Belgium	15	60	Lithuania	35	49	Mauritius	52
76	Estonia	17	60	Slovenia	35	49	Saudi Arabia	52
75	Iceland	17	60	Saint Vincent and the Grenadines	40	47	Greece	59
75	Japan	19	62	Cabo Verde	41	47	Armenia	60
75	Ireland	20	62	Costa Rica	42	47	Jordan	60
74	United Arab Emirates	21	62	Cyprus	42	47	Slovakia	60
74	Uruguay	21	62	Latvia	42	45	Belarus	63
						45	Montenegro	67

66	Turkey	86	55	Panama	111	24	Dominican Republic	137
59	Ecuador	92	51	Moldova	115	28	Guinea	137
59	Brazil	94	53	Philippines	115	28	Liberia	137
58	Ethiopia	94	53	Egypt	117	27	Chad	160
58	Kazakhstan	94	53	Eswatini	117	27	Myanmar	137
58	Pakistan	94	53	Nepal	117	27	Eritrea	160
58	Pera	94	53	Sierra Leone	117	27	Paraguay	137
58	Serbia	94	53	Ukraine	117	27	Angola	142
58	Sri Lanka	94	53	Zambia	117	27	Burundi	165
58	Suriname	94	52	Niger	123	27	Congo	165
58	Tanzania	94	51	Bolivia	124	26	Guinea Bissau	165
57	Gambia	102	51	Kenya	124	26	Turkmenistan	165
57	Indonesia	102	51	Kyrgyzstan	124	26	Democratic Republic of the Congo	170
56	Albania	104	51	Mexico	124	26	Libekistan	146
56	Algeria	104	51	Pakistan	124	25	Haiti	170
56	Cote d'Ivoire	104	50	Azerbaijan	129	25	Cameroon	149
56	El Salvador	104	50	Gabon	129	25	Guatemala	149
56	Kosovo	104	50	Malawi	129	25	Iran	149
56	Thailand	104	50	Mali	129	25	Equatorial Guinea	174
56	Vietnam	104	50	Russia	129	25	Lebanon	149
55	Bosnia and Herzegovina	111	29	Laos	134	25	Sudan	174
55	Mongolia	111	29	Mauritania	134	25	Venezuela	174
55	North Macedonia	111	29	Togo	134	25	Yemen	174
						24	Nigeria	149
						24	Tajikistan	149
						24	Honduras	157
						24	Somalia	179
						24	South Sudan	179

Regarding religion and spirituality, most people throughout Latin America are Christians (mostly Catholics, but Protestant affiliations are growing fast.)

On that regard, the most religious countries can be found in Central America, while South American countries are the most secular, with Brazil falling somewhere in between. Latin America is home to more than 425 million Catholics (nearly 40% of the world's total Catholic population) and the Roman Catholic Church now has a Latin American pope for the first time in its history. Yet, identification with Catholicism has declined throughout the region, according to a study by the Pew Research Center.



Reflect on what you have learned and answer the following activity:

1. How do culture of nations in Latin America and the Caribbean are classified according to Hofstede's cultural dimensions?
2. How is corruption measured and how countries are ranked according to this indicator?
3. How are religion and spiritual beliefs related to decision-making in Latin America?



International Business Management

Free trade agreements

Week 8



Among the different forms of regional economic integration, Europe and Asia have them all, from the free-trade areas to the European Union system (a political union under a single parliament.)


Of course, this is the result of the **growing economic competence from India and China** as attractive markets, which has in turn triggered more initiatives for free-trade deals. Increasing international commerce implies new business opportunities and that is exactly what countries are going after too, with ambitious infrastructure projects along with a huge-free trade area that goes all the way from China to Europe, the Middle East and Africa. Imports and exports numbers per country show increasing activity, having China and Germany leading each region.



Back in 2000, Mexico signed a free-trade agreement with the European Union, as part of the Economic Partnership, Political Coordination and Cooperation Agreement, signed three years before. Today, the current trade picture between Mexico and the European Union looks pretty much like the following.



The European Union is composed by 28 member countries, being Croatia the last one to join in 2013. However, soon the EU will experience the historical exit of some countries because in 2016 the people from the United Kingdom voted for a British exit (Brexit) of European Union in a referendum. This, of course, have some consequences which we already saw, for example, UK stocks had their worst drop since the financial crisis and emergency steps are now being taken to calm the economic turmoil after the pound fell to its lowest level since 1985. Britain has lost its top AAA credit rating. So, why is the European Union an attractive market to do business with? Well, the European Commission has a few answers to that question.



We have 500 million consumers looking for quality goods.

We are the world's largest single market with transparent rules and regulations.

We have a secure legal investment framework that is amongst the most open in the world.

We are the most open market to developing countries in the world.

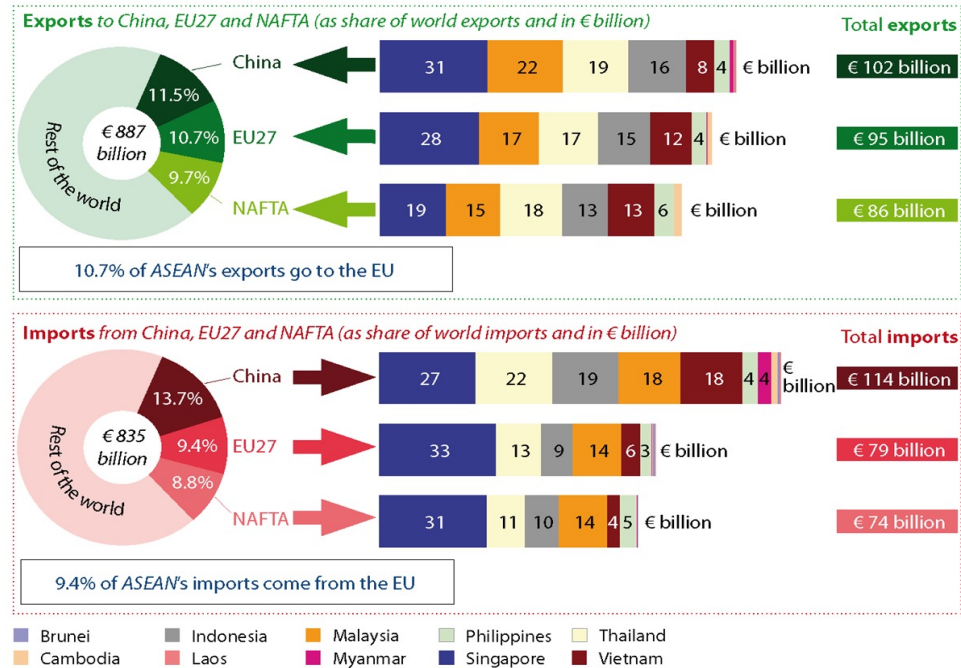
A familiar phenomenon that we constantly see in Latin America is also present in the Old World, emerging economies with a rather low per capita income but a rising middle class that has access to cheaper products after all the economic reforms that took place immediately following the end of the Soviet Union and the economic rise of Asia.

In fact, the concept of Eurasia as a single continent has drawn some more attention nowadays, with the creation of the Russian-led Eurasian Economic Union, which grants the member states (Belarus, Armenia, Kyrgyzstan and Kazakhstan), the access to the World Trade Organization. This initiative is on par with the main trend of superpowers building their own influence trade zones, in this case Russia, which is economically very important for these countries to ignore the common benefits of further integration.



The **Association of South East Asian Nations (ASEAN)** was founded in 1967 by Singapore, Thailand, Malaysia, Indonesia, and the Philippines. It has expanded over the years to include Cambodia, Laos, Vietnam, and Myanmar. In the last 20 years, these countries have advanced lowering tariffs among members, but also have coordinated efforts in a wide range of topics like industrial development, food shortages, financing, and sociocultural issues such as education and population control. Together, they are the third recipients of FDI after China and India (Ajami, 2013), let's analyze the following.

World trade in goods of the ASEAN countries (2011)



Dhar, A. (2017). Why is the ASEAN Summit Important For PM Modi And Trump Although They Belong To Non-ASEAN Countries? ED Times.
 Retrieved from <http://edtimes.in/2017/11/why-is-asean-summit-important-for-pm-modi-and-trump-although-they-belong-to-non-asean-countries/>

The **Asia-Pacific Economic Cooperation (APEC)** is not a free-trade agreement, but instead a forum for cooperation where member countries voluntarily follow the commitments established there. Basically, there are three key areas of cooperation.



Activity

Reflect on what you have learned and answer the following activity:

Make a list of agreements Mexico has signed with other European or Asian nations or clusters. Arrange them in a timeline.



In this eight week, we have learned the differences among the free agreements all over the world, as well as cultural diversity according to the Latin American countries and how this get involved into business culture. Another important topic we have learned was the Economic Poles in Latin America, i.e., Mercosur and their key factors. Finally, we have reviewed the main free trade agreements in the region so far, not ignoring Trans-Pacific Partnership (TTP) that just closed negotiations. It interests mainly ASEAN countries, Japan, New Zealand and Australia on that side of the world, leaving China outside this influential deal. The underlying objective of the deal is to countermeasure China's overwhelming trade power, but China's weight in the region together with Russia and India is likely to grow with more trade and infrastructure agreements.

