

Why Latin America Is Important

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How could it not be important?

Latin America:

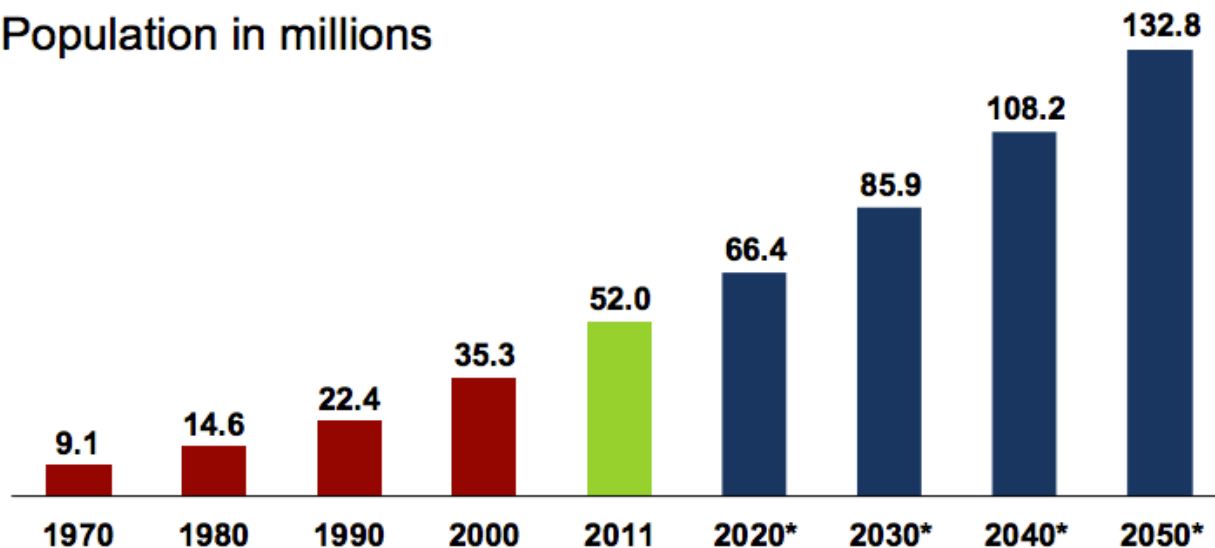
- Consists of 20 sovereign states with a population of 525 million.
- Has a GDP (in current U.S. dollars) of \$6.1 trillion (\$9.5 trillion at PPP prices).
- Is next door to the United States.
- Has a long history of cultural and social interaction with the United States.



Latin America is changing the United States

Hispanics: 1970 to 2050

Population in millions



Census

Estimate

Projections

*Projected Population as of July 1

Yet relations have often been rocky

- In the 1990s Washington sought to achieve greater cooperation and integration with Latin America
- The main goals of U.S. policy were to promote **free trade**, including the creation of a Free Trade Area of the Americas, and **democracy** as the only valid form of government
- These goals appeared to have faded.



The hope was to extend NAFTA to all of Latin America

A new regional reality

- Prospects for a hemispheric free trade area diminished as it became clear the United States and countries such as Argentina and Brazil had little common ground on key issues.
- Meanwhile, Washington discovered that elected governments are not necessarily U.S.-friendly governments.



A new regional reality

Today Latin America is split into three loose and sometimes overlapping economic and political camps: ALBA, Mercosur, and the Pacific Alliance.



ALBA*



Mercosur



Pacific Alliance

**Alianza Bolivariana para los Pueblos de Nuestra América*

And a new global reality

- Meanwhile, China's economic influence in the region has grown. China has supplanted the U.S. as the largest trading partner of Brazil, Chile, and Peru, and a major trading partner of Argentina.
- Brazil has been asserting its desire to rebalance the global order in favor of the emerging markets.



U.S. Latin America policy: At a standstill?

“The United States has no unifying vision or common approach to Latin America.” — Peter Hakim

- Efforts at negotiating free-trade agreements with individual countries and trying to sell them to Congress has run its course.
- U.S. policy is directed mostly at Mexico and Central America driven by proximity and concerns about immigration and narcotics trafficking.

U.S. Latin America policy: At a standstill?



The U.S. cannot avoid the region's problems



In the “2014 American immigration crisis,” tens of thousands of unaccompanied children migrated to the United States from Central America. Economic security is a draw, but fleeing gang-related crime at home was a factor.

A thawing of relations with Cuba



On December 17, 2014 U.S. President Barack Obama and Cuban President Raúl Castro announced the beginning of a process of normalization of relations between Cuba and the United States.

Toward normalizing relations with Cuba

- The 2014 agreement relaxed restrictions on travel and remittances and allowed U.S. banks access to Cuba's financial system.
- The United States and Cuba restored diplomatic relations, which had been severed since 1961, on July 20, 2015.
- The United States, however, maintains its embargo on Cuba which makes it illegal for U.S. corporations to do most kinds of business in Cuba and bans tourism. It will take actions by Congress to lift the ban.

A possible Trans-Pacific Partnership

- Agreement was reached on October 5, 2015 among 12 Pacific rim countries on a proposed partnership that would lower trade barriers and provide for an investor-state dispute resolution mechanism.
- Partners to the proposed agreement include Chile, Mexico, and Peru. Colombia has expressed interest in joining the pact.
- The Obama Administration is seeking to implement the TPP, but it has been criticized by some environmental and trade groups and is opposed by the two leading Democratic candidates for president.

Latin America matters economically

The United States exports more to Latin America than any region but Asia.

The United States, meanwhile, remains the most significant economic relationship in most of Latin America.

U.S. exports by region, 2014



Source: U.S. International Trade Commission

The U.S. matters to Latin America, too

- About 18% of U.S. imports are from Latin America and the Caribbean.
- The United States is an especially important trading partner for Mexico, Central America, and the Caribbean.
- Latin America's exports to the United States are more concentrated in manufactures than its exports to other regions.



Container ship moving through the Panama Canal

Latin America matters especially to Florida

- Forty percent of Florida's 14.9 million tourists in 2013 came from Latin America.
- Latin American tourists accounted for 47% of the \$16.1 billion spent by foreign tourists in Florida last year.
- Portuguese is by far the most common foreign language heard in malls in South and Central Florida and theme parks in Orlando.



A Brazilian flag hangs from the Elegance Perfume Boutique cart at Sawgrass Mills Mall in Sunrise, FL

Latin America is changing the United States

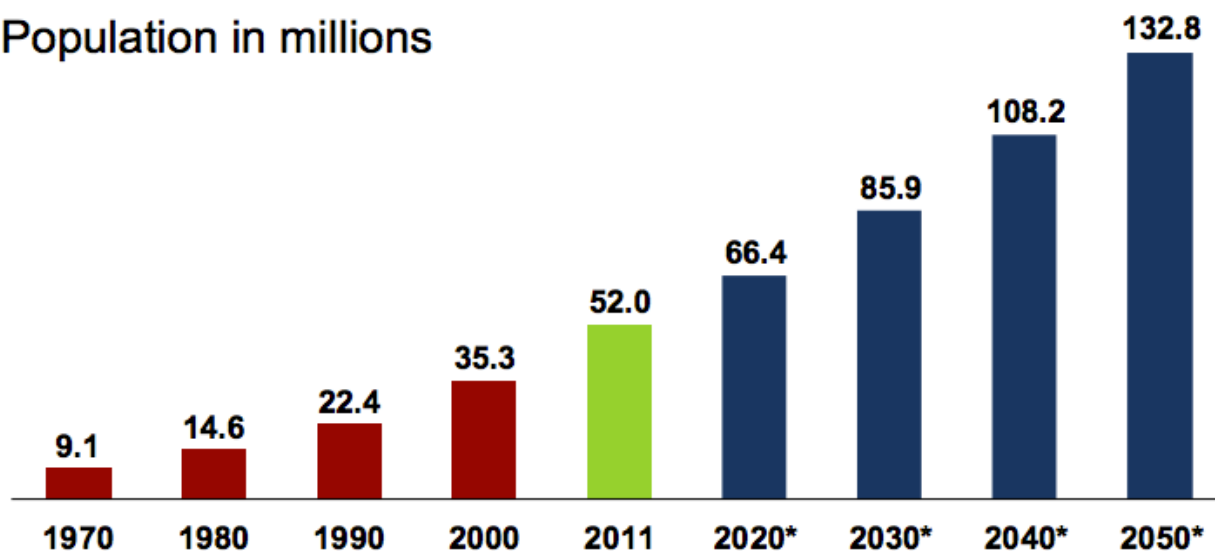
- The Hispanic population in the United States reached 55.4 million in 2014 according to the Census Bureau — 17% of the U.S. population.
- Spanish is the most widely taught language in the United States
- Spanish and Portuguese combined are by far the largest Romance spoken languages in the world.



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Capital flowing from Latin America to the U.S.?

It is beginning to happen already

“Chiquita OKs \$681 million sale to Brazilian bidders” – October 27, 2014



“Brazilian private equity firm 3G capital, which bought Burger King in 2010, makes bid for Tim Horton’s” — May 2014



AB InBev – A Belgian-Brazilian brewing company, acquired Anheuser –Busch in 2008)





Questions?