# 2007 LATIN AMERICAN BUSINESS ENVIRONMENT REPORT


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***With Meredith Fensom***


UF UNIVERSITY of FLORIDA

**September 2007**

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## *Preface*

The Latin American Business Environment Report (LABER) is a one of a kind publication that presents in a single document a straightforward, balanced appraisal of the economic, social, and political events in the past year that have shaped the business and investment climate in Latin America as a region and in its 18 most important economies.

In the 2007 LABER – the ninth edition since 1999 (all available at http://www.latam.ufl.edu/labe/publications.html)* – we have consolidated coverage of Central America and the Caribbean (dropping Jamaica and Trinidad & Tobago) into the new DR-CAFTA region, which coincides with the recently launched bilateral free trade agreement between the United States, five Central American countries and the Dominican Republic. Although Costa Rica has yet to ratify the agreement and Panama is not a member, both are analyzed as part of this new consolidated section. We have also enhanced assessment of the legal environment, which is again the work of Meredith Fensom.

The *LABER* is a publication of the Latin American Business Environment Program in the Center for Latin American Studies. The program draws on the expertise and resources of the University of Florida to prepare students for careers related to Latin American business through degree programs, training courses and study abroad opportunities. It also organizes topical conferences, promotes the publication of scholarly research and provides professional consulting services for the business community and public.

Additional support for the *LABER* and related activities is generously provided by the Center for International Business Education and Research (CIBER) in the Warrington College of Business Administration. Mary Mitchell and Alison Boelter helped prepare the 2007 report, which was edited by Charles Wood. Finally, in preparing the 2007 report, I benefited from an evaluation of the previous *LABER*s conducted by Ambassador Myles R. R. Frechette. I alone am responsible for the content and analysis.

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**Terry L. McCoy**

## EXECUTIVE SUMMARY

Entering the last quarter of 2007 Latin America is in the midst of an economic expansion unprecedented in recent decades. The outlook for 2008 is for continued growth and low inflation. The major clouds threatening the region's business environment are the growing volatility in global financial markets, faltering world trade negotiations and the erratic course pursued by populist governments in the region. There are relatively few elections scheduled over the next 15 months, the most important being in Argentina.

The table below classifies the 18 Latin American countries profiled in the *2007 LABER* in terms of the overall character of their business and investment environments in 2006 and 2007, and indicates the outlook for 2008. Within the three broad categories – "Attractive," "Problematic," and "Mixed" – an arrow indicates whether a country's environment has improved (↑) or weakened (↓) during the year. An "=" sign identifies those countries that remained essentially unchanged. Of the 18 countries, eight improved in 2007 and only two (Venezuela and Argentina) deteriorated. Based on sustained improvements in recent years, we have upgraded three environments – Panama, Peru and Uruguay – in 2007 from mixed to attractive.

***Latin American Business Environments***

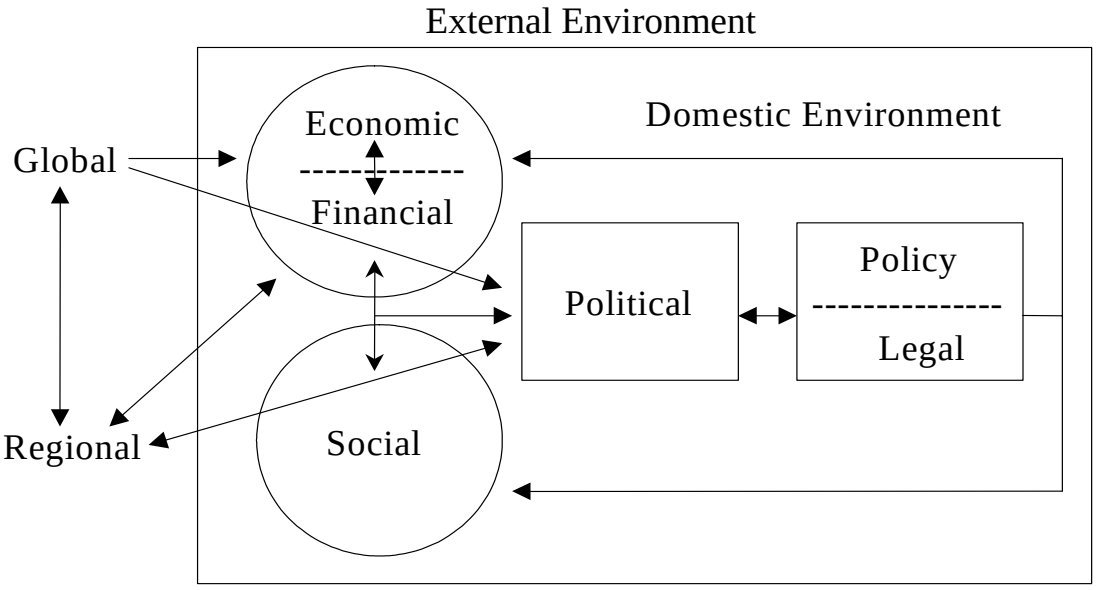
| | 2006 Environment | | | 2007 Environment | | | 2008 |
|---|---|---|---|---|---|---|---|
| | Attractive | Problematic | Mixed | Attractive | Problematic | Mixed | Outlook |
| Mexico | ↓ | | | ↑ | | | ↑ |
| Dom Rep | ↑ | | | ↑ | | | = |
| Costa Rica | ↑ | | | = | | | ? |
| El Salvador | | | ↑ | | | ↑ | = |
| Guatemala | | | ↑ | | | = | = |
| Honduras | | | ↑ | | | = | = |
| Nicaragua | | ↓ | | | = | | ? |
| Panama | | | ↑ | ↑ | | | ↑ |
| Bolivia | | ↓ | | | = | | ? |
| Colombia | | | ↑ | | | = | = |
| Ecuador | | ↓ | | | = | | ? |
| Peru | | | ↑ | ↑ | | | = |
| Venezuela | | = | | | ↓ | | ↓ |
| Brazil | | | = | | | ↑ | = |
| Argentina | | | = | | | ↓ | = |
| Chile | ↑ | | | = | | | = |
| Paraguay | | | = | | | ↑ | ? |
| Uruguay | | | ↑ | ↑ | | | ↑ |
| **Totals** | **4** | **4** | **10** | **7** | **4** | **7** | |

## *2007 LATIN AMERICAN BUSINESS ENVIRONMENT REPORT*

### *INTRODUCTION*

The environment for business in Latin America continues to be attractive. The region has prospered from four years of export-led growth, accompanied by low inflation and healthy capital flows. In the policy arena most governments continue to pursue macroeconomic stability through policies that implement inflation targeting, fiscal discipline, and floating exchange rates. There are, however, significant differences among the countries of the region. Particularly noteworthy are the populist regimes – exemplified by President Hugo Chávez in Venezuela – that are re-imposing state intervention in the economy and reducing the role of foreign capital. As we enter the last quarter of 2007, there is also growing concern with the volatility gripping global financial markets and the prospects of an economic slowdown in the United States.

**Figure 1**
**Model of Latin American Business Environment**



Whether Latin America or the individual economies of the region grow or enter into a recessionary cycle is the result of a complex interplay of factors that operate at the internal and external levels. This analysis uses the conceptual framework shown in Figure 1 to capture the most salient components of the Latin American business environment. Last year we added a legal component to the framework in recognition of an increasingly important dimension of the business environment – the rule of law. New this year in our assessment of the legal environment is the degree to which private property rights are protected (Table 13) and the magnitude of bureaucratic burdens imposed by the state on businesses, and estimated trade losses due to copyright piracy (see Table 14).

Part I of the *2007 LABER* summarizes major regional developments that took place in the last quarter of 2006 and through the first three quarters of 2007. Part II presents thumbnail sketches of the 18 largest markets, grouped by geographic region and/or trading blocs (see Map and Table 1). This edition no longer has separate section for the Caribbean and Central America. Instead we have dropped coverage of Jamaica and Trinidad & Tobago, and folded the Dominican Republic into the new DR-CAFTA region. Part III re-arranges the countries according to an assessment of their business environments overall and according to the outlook for the next 15 months. The 14 appended tables contain country-level data, along with regional averages of key economic, social, political and legal variables. At the end we include a list of selected sources that provide business-related news on Latin America, which informed the *2007 LABER.*


NAFTA
Mexico
Dominican Republic
Honduras
Guatemala
Nicaragua
El Salvador
Costa Rica
Venezuela
DR-CAFTA
Panama
Colombia
Ecuador
Peru
ANDEAN COMMUNITY
Brazil
Bolivia
Paraguay
MERCOSUR
Chile
Uruguay
Argentina

## *I. REGIONAL OVERVIEW*

### EXTERNAL ENVIRONMENT

The external environment has been quite favorable for Latin America in recent years. The booming world economy produced high commodity prices and favorable terms of trade for the region. While the United States continues to be Latin America's most important market, the region is increasingly linked to China, India and other emerging economies. Latin America also benefited from the expansion of global capital flows, both on the equity and debt side. The financial market volatility that broke out in the second half of 2007 makes the external environment more uncertain.

#### *Global Developments* ↑↓[1]

- ***Stronger terms of trade for commodity exporters***
  With a big jump in 2006, the barter value of what Latin America sells on world markets relative to the cost of what it imports from abroad improved for the fifth year in a row, and regional terms of trade continue to be favorable in 2007 (Figure 2). However, they were not uniform across the region (Table 2). The big gains again accrued to the five economies of Andean South America and Chile and, to a lesser extent, Argentina, Brazil and Mexico. The terms of trade for all seven DR-CAFTA economies – net energy importers and increasingly dependent on manufactured exports – actually declined. While the robust expansion of the Chinese and Indian economies is sustaining high commodity prices, Latin American manufacturers find it hard to compete against Chinese exports

- ***Increasing volatility emerged as potential threat to favorable capital markets***
  During much of 2007 Latin America continued to attract greater capital flows and pay lower interest rates. Although the region has attracted a diminishing share of foreign direct and portfolio investment than the other emerging markets, the flow has been important to current growth. FDI to the region will be greater in 2007 than in 2006 (Figure 3). Increased global liquidity has also made it easier to finance debt, both sovereign and corporate. Overseas remittances are significant sources of hard currency for all countries in the region. While the financial market volatility of July-August 2007, triggered by the U.S. sub-prime lending crisis, raised country spreads, it has not yet provoked major problems for Latin America's increasingly securitized financial markets. Increasing access to private capital has meant less reliance on the International Monetary Fund.

[1] Symbols are used here to suggest overall trends over the past 12 months: ↑ improving; ↓ declining; = no significant change.

**Figure 2**

**Terms of Trade for Latin America, 1997-2006**
**(Source: ECLAC 2006)**

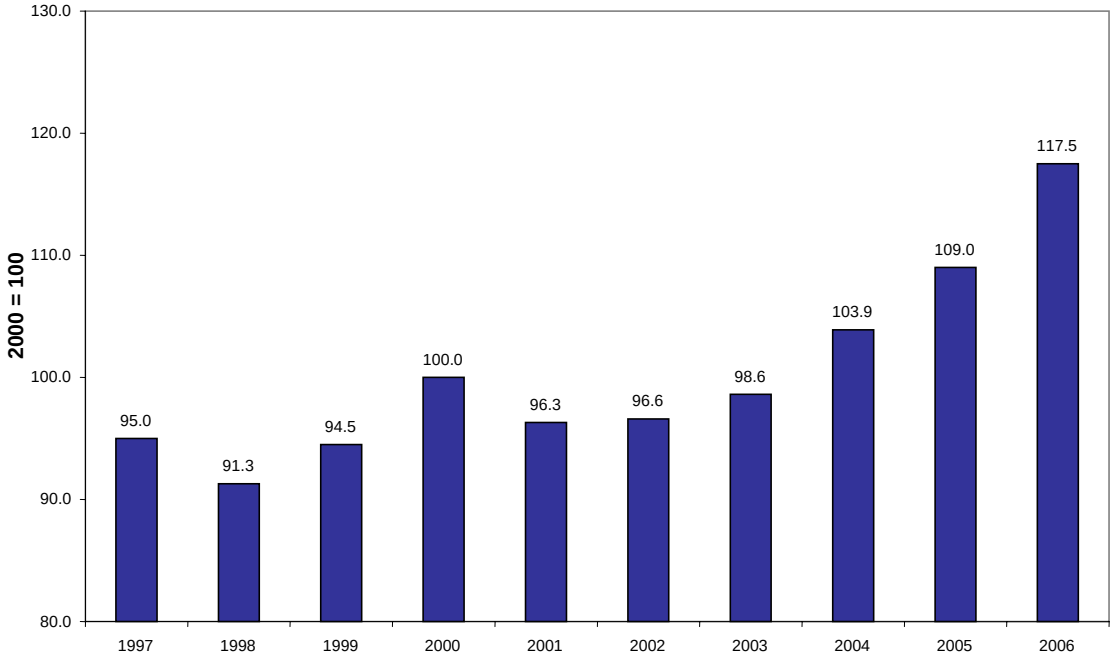
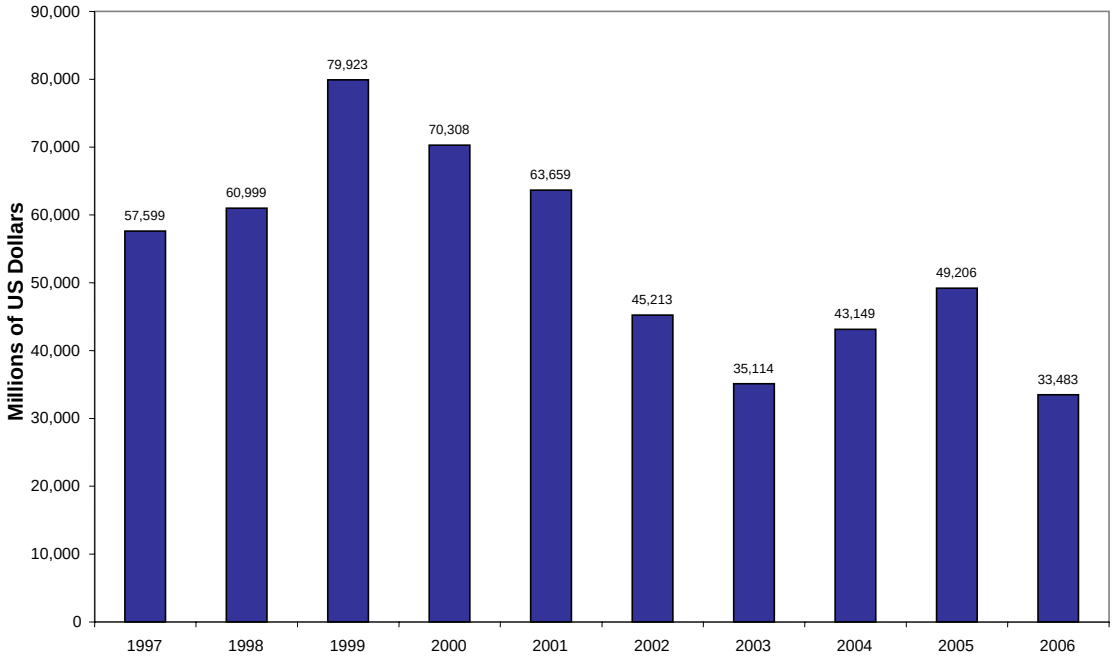



**Figure 3**

**Net Foreign Direct Investment in Latin America, 1997-2006**
**(Source: ECLAC 2006)**



- ***World trade negotiations stalled***
  Despite periodic assurances from major players in the World Trade Organization, commitments to resume the Doha round have not materialized. With President Bush losing trade promotion (fast track) authority in July, and the Democratically-controlled Congress unlikely to easily renew it, the future of trade talks under WTO auspices grows even more problematic. A mid-August WHO decision to extend the deadline for developing countries to cease subsidizing manufacturing exports with tax breaks until 2015 was welcome news for those Latin American countries with export processing zones.

***Regional Developments =***

- ***Path of hemispheric trade liberalization uncertain***
  With the Free Trade Area of the Americas (FTAA) dead and WTO negotiations going nowhere, trade strategies shifted to forging smaller, sub-regional agreements. Over the past four years, the United States has negotiated free trade agreements (FTAs) with Central America and the Dominican Republic (DR-CAFTA), Peru, Colombia and Panama (Table 1). Led by Brazil and Venezuela, the South American countries set out to merge MERCOSUR and the Andean Community into a counterpart of NAFTA, or SAFTA. Both initiatives are now in doubt. Congress is dragging its heals on bringing the three unratified FTAs up for a vote – even after the administration and signatory nations agreed to incorporate provisions affecting labor and the environment insisted on by the Democrats. On the South American front, Venezuela is threatening to withdrawal from MERCOSUR. President Chávez continues to push his Bolivarian Alternative for the Americas (ALBA) of which Cuba Bolivia, Ecuador and Venezuela are members.

- ***Immigration unresolved issue in U.S.-Latin American relations***
  President Bush's March goodwill visit to five Latin American countries – when he addressed issues of concern such as poverty and inequality – was a gesture toward rebuilding U.S.-Latin American relations. However, Congress' rejection of President Bush's comprehensive immigration reform later in the year was a serious setback. There is some evidence that tighter control of the U.S.-Mexican border reduced the flow of undocumented immigrants and their remittances.

**DOMESTIC ENVIRONMENT**

The domestic components of the business environment are generally positive: all Latin American economies are growing; inflation is under control in most, and local currencies are strong. Domestic capital markets are stronger, while the external debt burden is declining, along with unemployment and poverty. The political and legal

components of the business environment are mixed. Even though the most recent round of elections did not result in the leftist take-over some observers predicted, it did bring several left-leaning populist governments to power. This means that investors should keep informed of events in individual countries and the growing differences in their policy agendas. Trade agreements have become the primary determinants of legal reform.

***Economic and Financial Performance*** ↑

The Latin American economies performed well over the past year, and the outlook is promising into 2008. The sustained expansion has helped the region regain the losses in per capita income suffered from 1998 to 2003.

- ***Strong economic growth***
  For the second time in the current cycle, regional growth exceeded 5.0% (Figure 4) in 2006 with all countries except one (Brazil) surpassing 3.5% (Table 4). Regional GDP is on track to exceed 5.0% in 2007. The rolling ten-year average for annual growth is 3.0% up from 2.3% in 2004. Although exports continue to be the major determinant of GDP growth, government spending, investment and consumption are important components as well.

- ***Inflationary pressures building***
  Inflation dropped again in 2006 at the regional level, but inflationary pressures are building in 2007 (Figure 5). Demand and supply factors threaten to push inflation beyond targets set for the year. In response, the central banks in several countries (Chile, Colombia, Mexico and Peru) have begun to increase interest rates, or slow monetary expansion (Brazil). Venezuela and Argentina imposed price controls to cope with the highest inflation in the region (Table 5).

- ***Deepening domestic capital markets***
  Thanks to demand from international investors, local pension funds, asset managers, and insurance companies, Latin American stocks closed out 2006 with the fourth straight year of impressive gains. The Argentine, Brazilian, Chilean and Mexican indices were up 35%, 33%, 37% and 49% respectively. Colombian and Peruvian equities also did well. After a strong start in 2007, Latin American markets suffered two corrections. In August they were off 8-9% from their peaks. With lower global interest rates and narrower country spreads, the cost of debt financing has also been favorable, and local currency bonds are becoming common.

- ***Strong external performance***
  While FDI is up only slightly, exports experienced a significant increase (up 20% annually), as did the current account surplus (see Figures 3 and 6). Total foreign debt fell to its lowest level since 1997, and the debt burden, measured by the debt/export ratio, became less onerous (Figure 7). Finally, Latin American currencies held their own or appreciated against the dollar, and only six countries (vs. nine in 2005) are currently under IMF agreements (Table 9). In the middle of 2007, at the onset of financial market volatility, Latin American country risk spreads increased (Argentina's rose to 490 basis points from 240; Venezuela's to 509 from 231; Brazil's to 216 from 139 and Colombia's to 200 from 119), although they remained comparatively low.

**Figure 4**

**Regional GDP Growth Rates for Latin America, 1997-2007**

**(Source: ECLAC 2006 and IMF Economic Outlook 2007)**

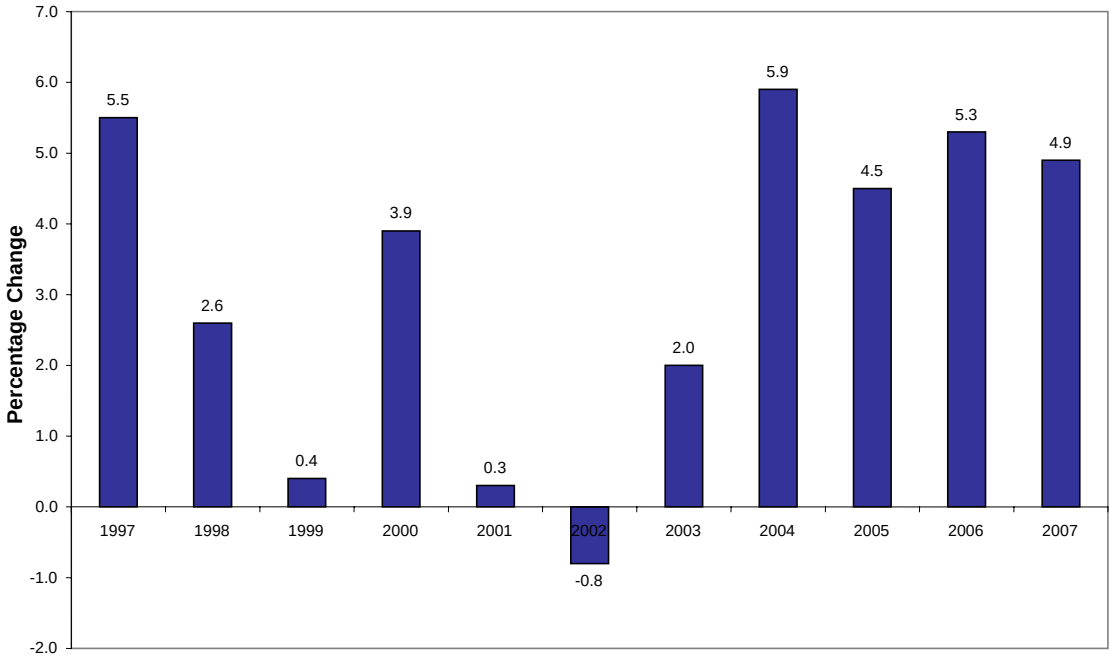


**Figure 5**

**Average Annual Inflation Rate for Latin America, 1997-2007**
**(Sources: ECLAC 2006 and IMF Economic Outlook 2007)**

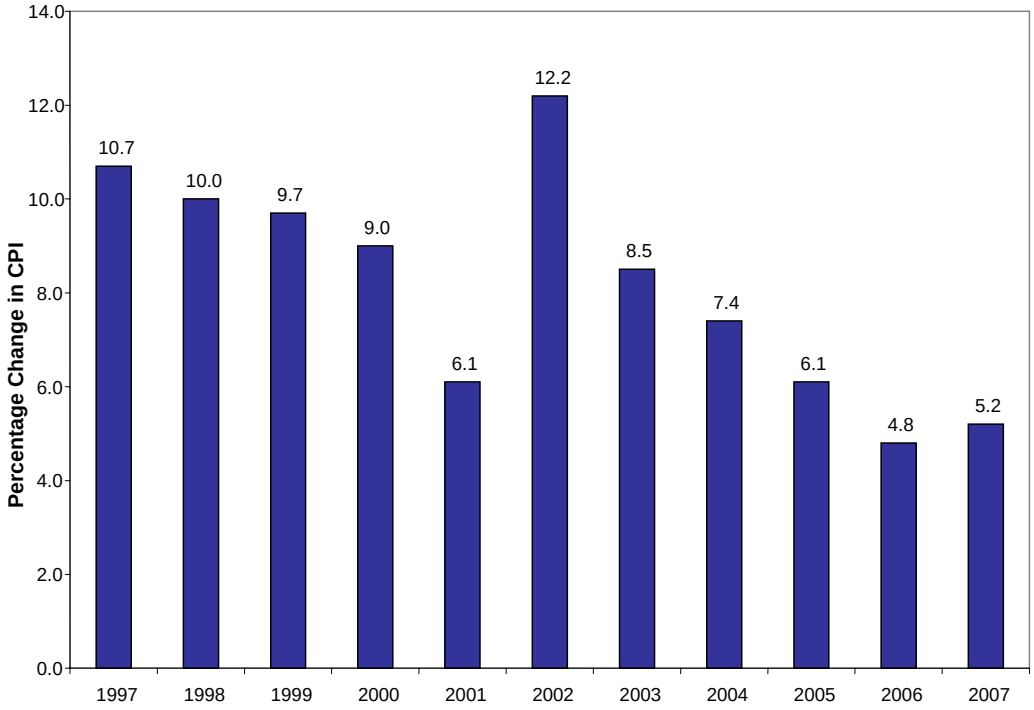



**Figure 6**

**Exports and Imports of Goods and Services in Latin America, 2003-2006**
**(Source: ECLAC 2006)**

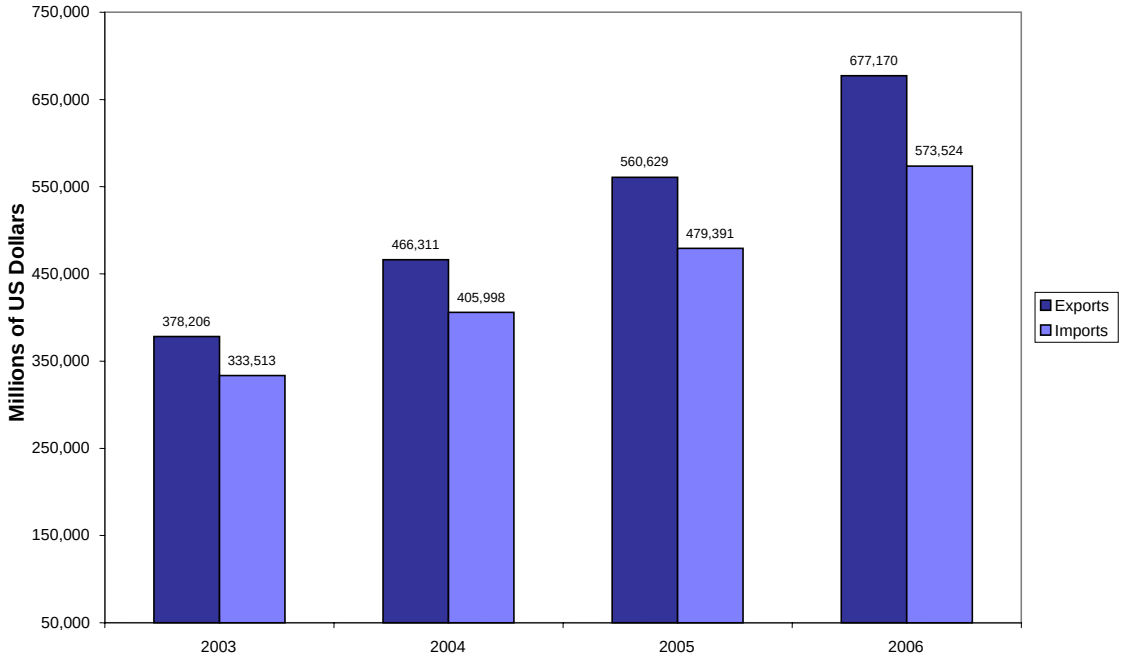
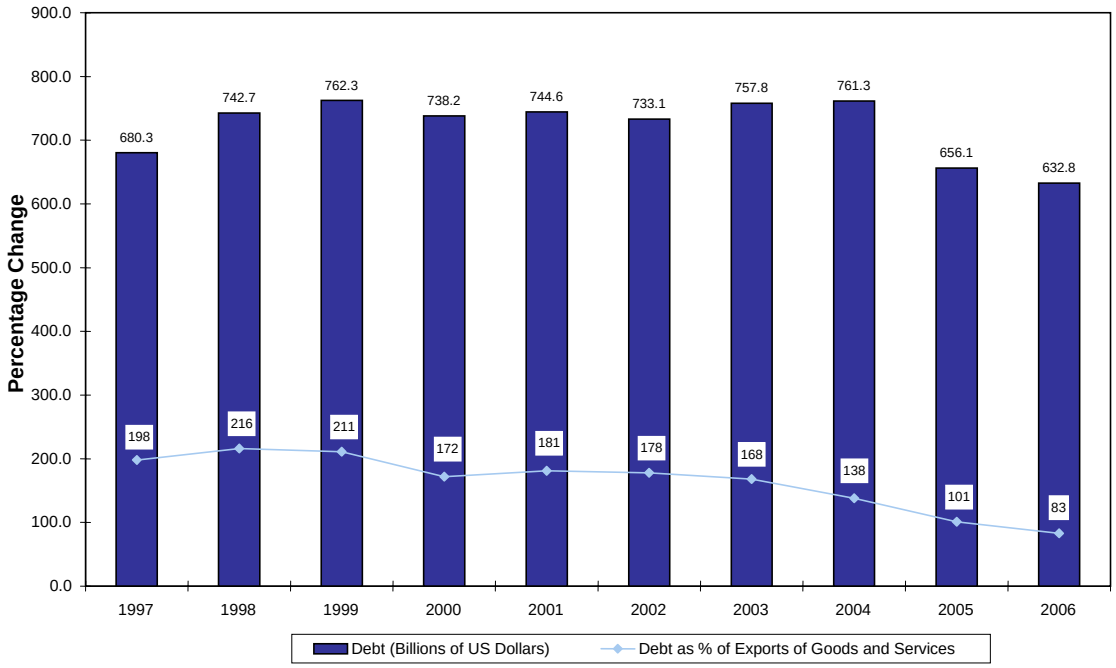


**Figure 7**

**Gross Disbursed External Debt, 1997-2006**
**(Source: ECLAC 2006)**




## *Social Environment*

The current economic expansion has reduced poverty and unemployment and improved income growth and distribution (Table 10). Crime remains a persistent problem throughout the region. Criminal activity has become increasingly violent in recent decades, although some countries (most notably Colombia) are making strides in improving citizen security (see Table 13).

- ***Growth in per capita income accelerating***
  Since the recovery began in 2003, the rate of per capita GDP growth has averaged around 4.0% compared to negative growth in the previous five years. Real wages now surpass where they were at the beginning of the decade.

- ***Poverty continues to decline***
  Between 2002 and 2005, the proportion of the population living in poverty dropped below 40% (from 44%), and the proportion indigent fell to 15.4% from 19.4%, according to ECLAC. With targeted income transfer programs and the sustained economic growth of 2006-07, poverty continues to decline.

- ***Unemployment falling***
  The regional average for open urban unemployment has dropped from 11.0% in 2003 to 8.9% in 2006 largely due to the effects of strong employment creation in the formal sector, which offers higher paying jobs with benefits.

- ***Crime and threats to personal security largely unabated***
  Latin American governments must engage in a costly multi-front war to reduce crime. Drug-trafficking is now a threat throughout the region. In Central America, the traffickers work with the gangs; in Colombia with the leftwing guerrillas and rightwing paramilitaries. Kidnapping is a criminal enterprise in some countries, and run-of-the-mill street crime is rampant in most, as the reported incidence of victimization in Table 13 documents.

***Political Environment =***

The large number of elections (11) over the past two years did not result in the dramatic swing to the left some had predicted. Voters in Bolivia, Ecuador and Nicaragua nonetheless elected leftist-populist governments patterned after and loosely allied with Hugo Chávez, who was also returned to office in Venezuela (Table 11). In addition, leftist challengers narrowly lost in Mexico and put up a good fight in Peru. It is important to note two additional trends in assessing recent elections: first, transfers of power take place in Latin America through regularly scheduled elections and, second, other presidents with leftist roots (in Brazil, Chile, Uruguay, Peru and Costa Rica) have chosen not to align with Chavez but to pursue a more moderate, pragmatic path.

- ***Limited political re-alignment***
  Latin America's political landscape has changed. The Venezuelan-led neo-populist alternative complicates domestic politics, policy choices and relations with the U.S.

- ***Constituent assemblies seek to consolidate political change***
  Even though electoral democracy remains in place, representative democracy is clearly at risk in Venezuela. Bolivia and Ecuador are both following the Venezuelan example of convening constituent assemblies to rewrite their constitutions and transform their political systems. President Chavez, skillfully mobilizing his popularity and the widespread desire for change among Venezuelans, has used assemblies and national referenda to concentrate power in the presidency and weaken the opposition and other branches of government.

***Policy Environment=***

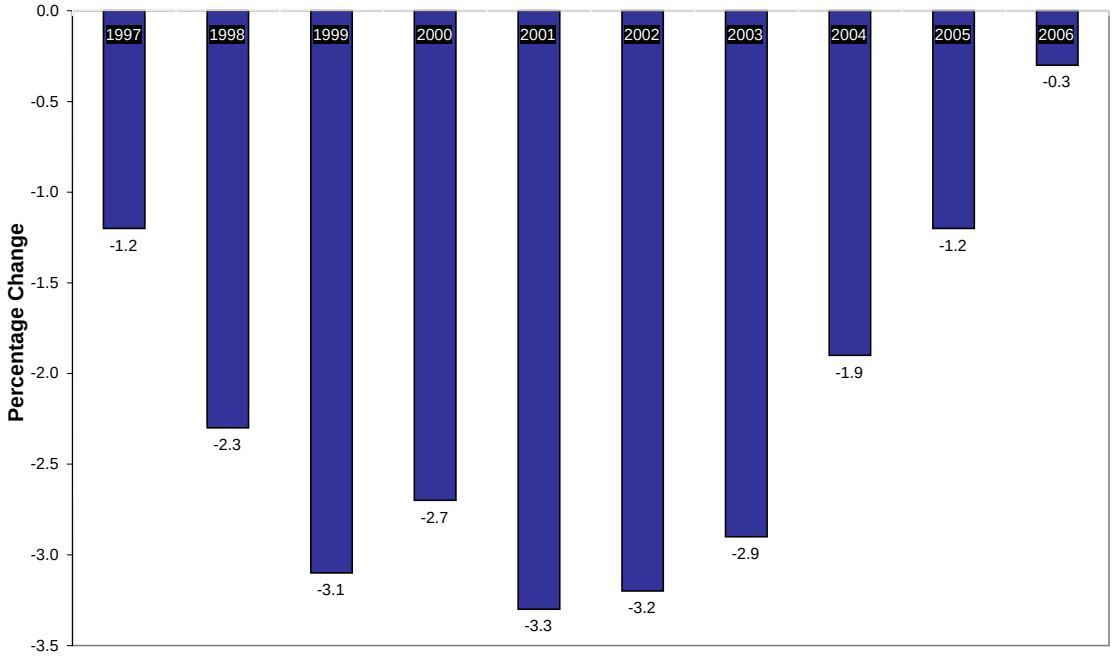
In his January 2007 inauguration, President Hugo Chávez promised to build "21st century socialism" in Venezuela openly at odds with the philosophy and market-friendly policy agenda that emerged in the early 1990s as the Washington Consensus or New Economic Model (NEM) for Latin America. The centerpieces of the NEM were, first, policies to achieve macroeconomic stability and, second, to promote structural reforms to open the region's economies. Regional integration evolved into a central component of the NEM. Although Chavez's alternative paradigm has made limited headway in a few countries – notably in Bolivia and to a lesser extent in Nicaragua and Ecuador – the current economic expansion has reinforced the commitment of other leaders to the NEM.

- ***Macro-economic policies secure with most government***
  Inflation targeting, floating exchange rates and, most importantly, fiscal discipline are the macro-economic policies of preference (see Figures 5 and 8, Tables 5, 9 and 12). Both Venezuela and Argentina have resorted to price controls to combat inflation; the former also has a fixed exchange rate. Many governments have taken advantage of favorable conditions to pursue strategies to reduce and restructure their public debts.

- ***Second generation reforms lag and energy policies differ***
  Some governments are reforming their national tax and social security systems, although labor markets are almost universally resistant to policy intervention. On energy policy, the Colombian and Peruvian governments have opened their energy sectors to private capital, while Venezuela, Bolivia and Ecuador are moving to re-impose the state-control paradigm.

**Figure 8**

**Fiscal Deficit/Surplus as a Percentage of GDP, 1997-2006**
**(Source: ECLAC 2006)**




***Legal Environment =***

The efficient conduct of business requires a legal environment in which rule of law is institutionalized. Production, commerce, and trade require a transparent and effective legal system that ensures the enforceability of contracts and reduces the cost of doing business. While no country is perfect in this regard – and Latin America as a region is comparable to other emerging markets – the troubling fact remains that the legal environment in most countries fails to fulfill the needs of domestic and international capital, which is why legal reform is a high priority. Those countries in which the rule of law is institutionalized (see Tables 13 and 14) – Chile, Costa Rica and Uruguay – have the most attractive business environments.

- ***Bilateral trade and investment agreements impose legal reform***
  DR-CAFTA member countries incorporated judicial reforms to comply with the agreement's legal obligations. A compromise agreement reached in the U.S. Congress to renegotiate free trade pacts with Panama, Peru and Colombia included binding commitments for the three countries and the U.S. to abide by core International Labor standards and requirements that trading partners enforce existing environmental laws and comply with several international environmental agreements. Intellectual property rules are altered by the deal, with the aim of allowing developing countries quicker access to generic drugs. Future trade deals will require signatories to adopt, maintain and enforce the five fundamental standards of the International Labor Organization and will allow the use of trade sanctions to punish offending countries.

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## *II. COUNTRY PROFILES*

### NAFTA REGION

Immigration and drugs continue to test U.S.-Mexican relations, and further North American regional integration under the NAFTA umbrella is at a standstill. U.S. immigration policy is a major irritant in bilateral relations, brought to the fore again this year when Congress rejected the administration's immigration reform package. As the threat posed by drug traffickers in Mexico became even more alarming in the past year, the U.S. government helped finance a major drug fighting initiative by the Calderón government.

Two years ago, the three NAFTA countries endorsed the Security and Prosperity Partnership as a step toward deepening North American integration. But at their meeting in Canada in August, it became obvious that the three North American leaders were presently in no position to expand NAFTA. Instead they adopted several non-controversial technical measures. Regional integration suffered another setback in September when the U.S. Congress voted to exclude Mexican trucks from hauling freight into the United States (and on to Canada) shortly after a U.S. court ruled that they could do so in keeping with provisions of NAFTA.

***Mexico*** ↑[2]***:*** New president consolidates power and advances his policy agenda.

- ***More dynamic economy***
  GDP growth in 2006 was the highest since 2000, although the rate is expected to fall off in 2008, while inflation remains under control.

- ***Financial markets mixed***
  The banking sector continues to make strides. More accessible credit triggered a boom in mortgage financing and housing construction. The stock market index is

[2] The symbols for each country indicate the following trends: ↑ business environment improved, ↓ business environment deteriorated, = no significant change since 2004 report.

up over 400% in the past four years, but the market has been losing listings. Eight companies de-listed in 2007, and there are no IPOs thus far. The large groups that dominate the economy do their financing through private arrangements. A $37bn infrastructure construction initiative to be jointly funded by public and private investment could revive equity investments.

- ***Favorable terms of trade support strong external position***
  FDI experienced a healthy increase in 2006. Exports also increased, while the current account deficit declined. Total external debt was up slightly, but the debt/export ratio, the lowest in Latin America, declined. Both Fitch and S&P upgraded Mexico's credit ratings in March to "positive" from "stable" in recognition of Mexico's strong external position and prospects for fiscal reform.

- ***Government launches major anti-drug initiative***
  Violence perpetuated by drug gangs worsened during the year.

- ***Political system rebounds from contested election***
  After taking office in a razor thin, contested election – and without a PAN majority in Congress – Felipe Calderón proved to be a strong, effective president in his first year, which he finished with a 50% favorable public approval rating. He succeeded in pushing the promised PRD parallel government into the background. A more disturbing challenge came from a shadowy leftist group (ERP) that engaged in a series of bombings of PEMEX pipelines during the summer.

- ***Movement on policy reforms***
  Calderón did more to advance reform in one year than his predecessor in six. Working with the opposition PRI, he pushed bills to reform the government pension plan and tax systems through Congress. The former reduces drain on the treasury. The latter will close loopholes in the corporate-tax code generating increased fiscal revenue to finance investments in infrastructure and education and lessening dependence on PEMEX as a source of government funding. To get the tax reform, the President had to support a controversial electoral reform that may strengthen the role of political parties in elections. Following passage of the tax reform, Fitch again upgraded its ratings arguing that it offered hope the government would work with Congress to pass future reforms.

- ***Decisions boosting competition***
  Mexico's Supreme Court struck down a provision in a law that would have allowed Mexico's two television companies free use of the radio spectrum to offer telephone and internet services. Congress passed a bill that could give the central bank a role in setting the fees and interest rates charged by banks in order to boost competition in areas where Mexico's anti-monopoly commission finds that competition is lacking. A pension reform proposal to rise the retirement age and phase in individual savings accounts was blocked.

**DR-CAFTA COUNTRIES**

DR-CAFTA modified the rules for U.S. trade and investment with Central America and the Dominican Republic. Although only in operation for a short time, the agreement seems to be generating greater U.S.-Central American trade (the Dominican Republic did not become a full member until March). Export growth may, in turn, be translating into higher overall growth for the Central American members. However, Costa Rica, yet to ratify the agreement, also experienced trade expansion, healthy GDP growth, and strong FDI flows. The United States may be the big winner – at least in the short-run – because the agreement grants 80% of U.S. exports immediate duty-free access to DR-CAFTA markets. U.S. exports to the region increased by 16% in 2006, and were up by another 11% in the first five months of 2007. It now runs a trade surplus with the DR-CAFTA countries.

Costa Rica's October referendum on DR-CAFTA membership has implication not only for Costa Rica but also for the future of Central American integration. The European Union suspended negotiations for a trade pact with Central America until the outcome of the vote is known. Should it be negative, the EU may break off talks since it insists on negotiating with the region as a bloc, not only on trade matters but also on standards in customs and tax systems. All of the Central American countries except Costa Rica adopted a Central American visa that allows their citizens to freely cross borders. Excepting Costa Rica, almost 95% of trade within Central American trade is now duty free.

On the energy front, the region is making progress on creating a regional power grid (Siepac, Central American Electric Interconnection System). Furthermore, Brazil

and the United States have joined forces to promote sugar-cane ethanol production using Brazil-developed technology in Central America, which can then take advantage of DR-CAFTA to be exported duty free to the United States.

***Dominican Republic*** ↑***:*** Full DR-CAFTA membership strengthens environment.

- ***High growth continues***
  GDP growth topped 10% in 2006 and is predicted to reach 6.0% this year. Although still moderate, inflationary pressures are of some concern.

- ***Mixed external position***
  Exports were up in 2006 but so was the current account deficit. Because DR-CAFTA further liberalizes access to the Dominican market for the four Central American members as well as the United States, there is concern that the deficits the Dominican Republic has been running with both Central America and the United States could worsen. FDI has recovered from the downturn associated with 2002-03 economic crisis, and may receive a bump this year from DR-CAFTA. The country continues to operate under the conditionality of an IMF stand-by agreement. In May, Moody's upgraded the Dominican Republic to two notches below investment grade, while Standard & Poor's raised its long-term credit rating in September based on implementation of structural reforms and improved fiscal accounts.

- ***Poverty declining but still high***
  The high rate of growth of the past 15 years has not improved the standard of living of most Dominicans. Failure to perceive meaningful trickle down is an ongoing source of social tension.

- ***Politics shifting to election mode***
  In spite of his fall in public opinion polls, Leonel Fernandez appears headed for a third term in the May 2008 presidential contest since the opposition is unlikely to mount a serious challenge.

- ***Items on policy agenda***
  Under pressure from the IMF, the Dominican Congress finally enacted criminal penalties for illegal use of electricity as a step toward ending the power shortage and chronic blackouts. The fiscal deficit has been brought back under control.

- ***DR-CAFTA reforms strengthen legal environment***
  To comply with terms of DR-CAFTA and under pressure from Washington, the Dominican Congress approved reforms affecting protection of intellectual property rights, customs procedures and other matters that will improve business regulation if enforced. Foreign investment opportunities have been undermined

by the absence of standardized competition laws and the failure of the government and private parties to honor contracts.

***Costa Rica=:*** Membership in DR-CAFTA goes to popular vote.

- ***High growth and declining inflation***
  For the third year in a row, GDP growth will be at or near 6.0%, giving Costa Rica the second highest (5.1%) rolling ten year average of the 18 countries (Table 4). Inflation, down in 2006, is expected to decline again this year. In October 2006, the central bank moved to let the colon float within a narrow band.

- ***Strong external performance without DR-CAFTA***
  Although terms of trade are weak, exports increased (along with imports and the current account deficit) as did FDI while both the external debt and debt/export ratio (second lowest of the 18 countries) declined. The WTO ruling that extended the deadline for ending duty free industry export subsidies is important to Costa Rica where this sector has experienced rapid expansion in recent years. Costa Rica became the first Central American nation to break relations with Taiwan and re-establish relations with China. The move recognized China's growing importance as a trading partner and source of foreign investment.

- ***Labor shortages***
  The demand for migrant workers, mainly from Nicaragua, in the agricultural and booming construction sectors (with local workers taking higher paying jobs in manufacturing and services) runs up against anti-immigrant sentiments and recent legislation making it more difficult to hire foreigners.

- ***Referendum test for administration.***
  In keeping with their strong democratic tradition, Costa Ricans will go to the polls on October 7 to decide whether they will join DR-CAFTA. The National Assembly has been deadlocked over the issue. President Arias is an outspoken proponent of the agreement.

- ***Market-opening legal reforms pending***
  Costa Rica has one of the strongest legal environments in Latin America.
  The new *código contencioso* and *ley de certificados* could affect foreign investors and local businesses. The *código* broadens the role of judges in civil cases and is aimed to achieve greater equality between litigating parties. *La ley* regulates the use of and gives legal recognition to digital signatures and certifications of documents transmitted via the Internet. There is a draft bill in the congress to simplify claims for small sums of money, similar to the small claims courts in the U.S. A series of laws are also under discussion aimed to increase competition in the telecommunications sector and streamline the bidding process for private

companies seeking government contracts. Compliance with DR-CAFTA would mandate other reforms.

***El Salvador↑:*** Signs of boost from DR-CAFTA membership.

- ***Encouraging economic performance***
  Economy is on track in 2007 to equal or exceed 2006 growth, which was the highest in 10 years. Dollarization keeps inflation under control.

- ***Remittance growth slowing***
  Overseas remittances, which account for 18% of GDP and are crucial to closing the current account deficit, are slowing. Extension of U.S. Temporary Protection Status for 230,000 Salvadoran immigrants guarantees that their remittances will not be cut off in the near future.

- ***Emigration slowing population growth***
  The most recent census shows that total population size is nearly 20% below original projections, presumably because of emigration (estimated to be 80,000 per year). This means that average per capita income is higher than initially calculated but so is the homicide rate, which is among the highest in the world largely due to gang violence.

- ***Compliance with DR-CAFTA strengthened legal environment***

***Guatemala=:*** Violence mars national elections.

- ***Encouraging economic performance***
  Over the past three years growth has been at its highest level since the mid-1990s, while inflation remains under control.

- ***Mixed external performance***
  FDI increased by over 50% in 2006, in part due to DR-CAFTA going into effect. Export growth was modest, and the country is running a large current account deficit, which it finances through external borrowing. The foreign debt grew in 2006, but the debt/export ratio declined. In July, S&P raised the outlook for Guatemala's long-term credit ratings.

- ***Violence, endemic poverty and inequality weaken social environment***
  Fueled by drug traffickers seeking to control transshipments through Central America, Guatemala has one of the highest homicide rates in the world (more than 5,000 murders a year). During the election campaign more than 50 politicians and activists were killed. In March three Salvadoran congressmen were murdered, allegedly by police officers. Although the percent of the population living in poverty has declined, it is still very high. Guatemala has the

highest rate of child malnutrition in the Western Hemisphere, according to Millennium Development Goals report.

- ***Presidential election goes to run-off***
  In keeping with the electoral pattern since returning to democracy in 1985, voters rejected the candidate of the governing party but were unable to deliver a majority to either of the top opposition candidates, which means a November run-off between three-time candidate of the center-left UNE, Alvaro Colom, and former general Otto Pérez Molina of the conservative PP.

- ***Prudent macro-economic policy***
  The fiscal deficit fell from over -2.3% in 2003 to -1.5% last year.

- ***Marginal strengthening of legal environment***
  New legislation aims to improve tax collection to reduce tax evasion and tax fraud. Guatemala has also undertaken CAFTA-DR related reforms to intellectual property, trade secret, and tax laws. Despite these reforms, it has one of the most problematic legal environments in Latin America in terms of rule of law and corruption.

***Honduras= :*** *Some strengthening of weak environment*

- ***Sustained growth***
  GDP growth has averaged over 4.0% a year since 2000. Construction is the most important source of growth. Inflation is inching down, although it is still high in comparative terms.

- ***Remittances crucial external component***
  With remittances accounting for around 25% of GDP, the decision of the U.S. government to grant an 18-month extension of Temporary Protected Status provision for Hondurans means that the rate of deportation will stabilize and remittance remain steady for the time being. After Nicaragua, Honduras has the weakest terms of trade of the 18 countries. FDI and exports are holding steady. The current account deficit has declined. The IMF Poverty and Growth Reduction Facility will end this year unless renewed.

- ***Criminal violence and poverty mark social environment***
  U.S. policy to send criminals back to their country of origin has increased gang activity in Honduras. Nearly 75% of the population still lives below the poverty line, and Honduras is the poorest country in Central America in terms of purchasing power parity per capita income

- ***Stable political environment***

- ***Effective fiscal policy***
  The deficit fell to -1.0% in 2006 from -5.3% in 2001. The government announced that it was going to float a global bonds issue to help clean up finances of the state power company, but the sale has been postponed.

- ***Measures to facilitate business transactions***
  Efforts on behalf of the *Comité Nacional de Simplificación Administrativa* reduced from 62 to 44 days in the number of days required to start a business.

***Nicaragua=:*** New government flirts with populism.

- ***Satisfactory economic performance***
  Since 2003 growth has averaged over 4.0%, below the regional average but good by Nicaraguan standards. Inflation is not a threat.

- ***Contradictory external orientation***
  Nicaragua is a poor country with the weakest terms of trade and highest debt burden in Latin America. FDI flows have been modest but crucial (as are remittances and international aid). After assuring foreign investors they had nothing to fear, the new Sandinista government has pursued an erratic path contributing to an uncertain investment climate. While embracing membership in DR-CAFTA, it has strengthened relations with Venezuela – which has been generous in its aid – and joined the Bolivarian Alternative for the Americas (ALBA). The new government has challenged the United States on other fronts, including establishing diplomatic relations with Iran and strengthening relations with Cuba. It is currently involved in a dispute with Esso Standard Oil Company regarding its refusal to refine Venezuelan oil. Washington has adopted a wait-and-see posture to this point. The government has negotiated a new loan agreement with the IMF.

- ***Challenging social environment***
  Hurricane Felix inflicted significant damage.

- ***Opposition challenges Ortega***
  Former president Daniel Ortega formed a coalition with one-time enemies to take advantage of changes in the electoral laws to return to office with only 38% of the vote in the November 2006 election. Many charge that the alliance (*el pacto*) will exchange favors (former president Alemán convicted of misappropriating $100 million had his sentence eased, for example, by the Ortega government) to institutionalize their power-sharing control of government. However, in September the three opposition parties united in the National Assembly to weaken Ortega's controversial initiative to form citizen councils as a step toward "direct democracy."

- ***Mixed policy agenda***
  The fiscal deficit has come down in recent years, and the Ortega administration has reduced government salaries in order to increase spending on health and education. Unresolved is the role the state will play in the economy.

- ***Uncertain legal environment***
  To become eligible for CAFTA-DR, Nicaragua reformed its banking and finance laws and strengthened intellectual property protection and customs enforcement. On the other hand, the government ambivalence on private property rights and other measures undermines investor confidence.

***Panama*** ↑***:*** Canal expansion opens new era

- ***Another strong economic performance***
  Since 2004 the service-based economy has grown at around 7% annually – thanks largely to rapid expansion of the transportation/communications sector – while inflation of the dollarized economy remains low.

- ***Awaiting ratification of U.S. FTA***
  FDI doubled in 2006 (and was up 20% in the first half of 2007) to the highest level in Central America. Exports were up while the current account deficit continued to decline. External debt increased but the debt/export ratio declined. The United States and Panama concluded negotiation of a bilateral FTA, which the Panamanian legislature ratified. The U.S. Congress has yet to vote on the measure.

- ***Voters give Torrijos victory on the canal***
  In the October 2006 referendum, 78% supported the president's call for expansion.

- ***Canal expansion to test fiscal policy***
  Construction on two new sets of locks began in September. It is expected to cost $5.2 billion and be finished in 2014-15. To finance the expansion, the government is borrowing up to $2.3 billion, which will increase its external debt and put a strain on the budget during the construction phase.

- ***Legal environment awaits FTA***
  *Ley 22*, passed in 2006, aims to help smaller businesses gain access to government contracts. The website www.panamacompra.gob.pa, was created under the same law to make the government procurement process more transparent during construction of the canal. Corruption remains a concern, with foreign firms claiming they are hampered by the informal links between government and local business groups. Ratification of FTA would necessitate additional legal reforms.

## ANDEAN SOUTH AMERICA

Although the Andean Republics of South America continue to benefit from high commodity prices and favorable terms of trade, the state of sub-regional relations and integration is unsettled on several fronts. The first uncertainty concerns where Venezuela's loyalties lie. Is President Chávez casting his lot with MERCOSUR, with the Andean Community (CAN), or with his own Bolivarian Alternative for the America (ALBA)? Bolivia is following Chávez's lead, but Ecuador's new president, Rafael Correa, who seems to be aligning Ecuador with the Chávez-led populist bloc, has expressed reservations about membership in ALBA. The second question concerns Chile's role in the Andean region. With great fanfare, Chile rejoined CAN in June, which it had abandoned in 1976. But Chile did so only as an associate member, since it refuses to abide by the Community's common external tariff. More troubling are Chile's ongoing territorial disputes with Bolivia and the maritime boundary disagreement with Peru that erupted in August. Following Chile's return to CAN, the EU renewed negotiations with CAN to forge a bloc-to-bloc free trade agreement.

The third uncertainty in the Andean region concerns the fate of the U.S. bilateral FTAs with Peru and Colombia. Will Congress allow them to go into effect? If they do go forward, what will be their impact on regional trade patterns and on prospects for the Andean Community and MERCOSUR merging into a SAFTA? Washington has temporarily extended the Andean Trade Preference and Drug Eradication Act (ATPDEA), which gives Colombia, Ecuador, Peru and Bolivia preferential access to the U.S. market. The two pending FTAs would make this arrangement permanent for Peru and Colombia, and would liberalize U.S. access to their markets.

***Bolivia=:*** Progress but Constituent Assembly adds uncertainty in problematic environment

- ***Strong growth and moderate inflation***
  GDP growth is averaging over 4.0% per year, a significant achievement given the unsettled nature of the environment. Inflationary pressures are building.

- ***Mixed external position***
  Bolivia has parlayed favorable terms of trade into strong export growth and a healthy current account surplus. The increasing share of export earnings captured by the government has produced a fiscal surplus as well. Bolivia's external debt and debt burden are down, although still quite high. FDI has been weak, but with the foreign oil companies accepting renegotiated contracts, it should pick up. In July Jindal Power and Steel Ltd of India made the largest foreign investment commitment in Bolivia's history at $2.1bn.

- ***Polarized social environment***
  The main cleavage in Bolivian society, which spills over into politics, is between the indigenous highlands and eastern lowlands dominated by affluent conservative elite.

- ***Constituent Assembly dominates politics***
  President Morales, who is completing his second year in office, has proved to be more effective than anticipated. However his commitment to deliver a new constitution to voters was in doubt in September as the Constituent Assembly suspended its deliberations for a month following clashes over relocating the capital from La Paz to Sucre.

- ***State intervention in economy deepening***
  A December law that authorized new contracts to increase government control over the operations of foreign companies and the government's share of their revenues completed nationalization of the petroleum industry. Most companies agreed to renegotiate, calculating that, in an era of high energy prices, they can still make a profit on their Bolivian operations. The President subsequently announced the nationalization of the mining sector and called for government take-over of the country's railroads. He signed into law a measure to redistribute "unproductive" private land.

- ***Legal environment***
  The government has proposed pulling out of the International Centre for Settlement of Investment Disputes. Supporters of President Morales in the Constituent Assembly have proposed allowing the leader to seek re-election for an unlimited number of consecutive terms.

***Colombia=:*** Political problems do not diminish strong performance.

- ***GDP continues to surge***
  It now looks as though economic growth will exceed 6.0% again this year after the best performance in 29 years in 2006. Fueled by high investment and domestic consumption, the surge is taking place under tighter monetary policy. Inflation remains under control.

- ***Uncertainty of FTA with United States clouds positive external picture***
  Colombia has been so successful in attracting foreign investment that the government deemed it necessary to impose capital controls on some foreign investments to curb appreciation of the peso. Foreign portfolio investors are now required to deposit 40 percent of their investments in non-interest-bearing accounts in the Central Bank for 6 months. These controls came as a supplement to the freezing of 40 percent of offshore loans and deposits repatriated by local companies. In June, S & P returned Colombia's foreign credit rating to investment grade. Concern on Capitol Hill about violence against trade unionists has put approval of a U.S. free trade agreement with Colombia in doubt.

- ***Difficult social environment continues to improve***
  Violence and criminality declined again.

- ***President exercises damage control***
  In spite of a scandal over alleged administration ties to the rightwing paramilitary forces, President Uribe continues to have favorable public opinion ratings because of the success of his administration in improving public security and overseeing the economic recovery.

- ***Policies tighten monetary policy and open energy sector***
  In addition to capital controls, the Central Bank raised interest rates 300 basis points since April 2006. Opening the energy sector to private capital took another step forward through partial privatization of national oil company, Ecopetrol, by sale of up to 20% of its shares in an IPO (initially only to Colombians). The goal is to replicate the success of Petrobras in Brazil. A major reform of the Institute of Social Services is behind schedule.

- ***U.S. courts affect legal environment***
  When Chiquita Brands International pleaded guilty in the criminal prosecution brought by the U.S. Department of Justice, it focused attention on the payoffs that Colombian and foreign companies make to the illegal armed groups. The civil lawsuits filed in the U.S. have been brought under the Torture Victim Protection Act and the Alien Tort Statute, which allow foreigners to sue in U.S. courts on issues of internationally recognized human rights violations. The Drummond case tested a new use of the 218-year-old law. Though the plaintiffs were not successful, the lawsuit against Drummond could herald a new era for the Alien Tort Statute to be used to sue multinational corporations suspected of human

rights abuses in developing countries. Drummond marked the first time a U.S. company had gone to trial under the Alien Tort Statute. Other corporations may be subject to similar suits and more of these cases will be brought unless the U.S. Supreme Court rules with greater clarity on what kinds of claims can be pursued by foreigners in U.S. courts.

***Ecuador↑:*** New president pledges to transform environment.

- ***Economic performance continues to be satisfactory***
  GDP growth averaged over a healthy 5.0% since 2003 but is forecast to decline in 2007 in response to the uncertain business environment. Dollarization keeps inflation at bay.

- ***More nationalist external position***
  Because of high oil prices and favorable terms of trade, exports are up, and the current account is in surplus. FDI has also increased, but investors may be more cautious as they wait for the Correa government to define its policies. Before taking office, the President-elect announced that his government would renegotiate contracts with foreign oil companies and the country's foreign debt. Once in office, his government moved ahead on renegotiating the oil contracts to give the state more control and a bigger share of the revenues. However, it continues to service the debt, which has lowered the risk of default. The new economy minister appointed in July stated that attracting investment was a priority. While Correa has rejected a full FTA with the United States, he did push for an extension of the ATPDEA to maintain one-way free trade.

- ***Constituent Assembly takes center stage***
  President Correa promises to bring stability and accountability to Ecuador's discredited political system. As he completes his first year in office, he has done battle with Congress and the Courts, both held in very low esteem by Ecuadorians. Now he is wagering the future of serious reform, and his government, on a Constituent Assembly, approved by 70% of the voters in an April referendum. The challenges facing the president are formidable, but Correa has already demonstrated more staying power and more political acumen than his predecessors.

- ***Leftist policy orientation***
  Although nationalism and populism mark the new president's policy rhetoric, he has pledged to maintain dollarization of the economy despite his reservations about its efficacy. His government has instituted a program of monthly payments to poor families.

- ***Legal environment***
  Ecuador stated its intention to allow the 14 year-old U.S.-Ecuador bilateral investment treaty to expire. However, the treaty will continue in force unless one

of the parties terminates it with one year's advance written notice. Ecuador has not yet exercised that right. The treaty forbids the expropriation or nationalization of investment without proper compensation and has been invoked by Occidental Petroleum in an arbitration claim filed against Ecuador for terminating its contract last year. Occidental has demanded $1 billion in damages and the return of its assets. In Ecuador, meanwhile, authorities are investigating allegations of market manipulation related to payment of the country's foreign bond debt.

***Peru*** ↑***:*** Environment continues to strengthen under new administration.

- ***Dynamic economic performance continues***
  GDP has expanded at over 6.0% annually for four consecutive years. During this same period, inflation fell to low levels. It appears that the August earthquake, which inflicted heavy damage on a zone important for tourism and agricultural exports, will not slow the projected 7.0% growth this year.

- ***Awaits U.S. ratification of FTA***
  Peru's impressive performance is export-driven, although infrastructure investment, manufacturing and consumption are also important. High global metal prices boosted by Chinese demand have produced very favorable terms of trade. This situation has delivered healthy trade and current account surpluses, plus it has generated dramatic increases in FDI (up 35% in 2006). The external debt-to-exports ratio declined from 400 in 1998 to 108 in 2006. The ratings agencies rewarded Peru by elevating it to just below investment grade. It appears that the U.S. Congress will ratify the FTA with Peru, which will further enhance this increasingly attractive environment by securing Peruvian access to the U.S. market and liberalizing U.S. access to Peru.

- ***August earthquake puts additional stress on social environment***
  Poverty is down (4.0% in 2006), but regional inequality and uneven distribution of trickledown from the current growth create serious social tension, which the Garcia government has pledged to address. His educational reform triggered a disruptive teachers' strike in July.

- ***President's popularity rebounds***
  President Garcia's approval ratings were declining – and his party suffered a big loss in the November 2006 regional elections – but his energetic response to the earthquake gave him a boost in the polls. Today he is much stronger than his predecessor. The extradition of former president Alberto Fujimori from Chile to stand trial on human rights and corruption charges could complicate politics for Garcia since the Fujimoristas have been important legislative allies.

- ***Policy***
  Steady macroeconomic policy management eliminated the fiscal deficit in 2006. A surplus in both the primary and nominal accounts is likely this year. The

Central Bank raised the benchmark interest rate in July (to 4.75% from 4.50%) to dampen inflationary pressures. The government launched an innovative public-private partnership (CRPAO) to generate badly needed infrastructure investment, especially in the southern highlands. The state oil contracting agency signed exploration contracts with private companies to become a net oil exporter.

- ***Legal environment would be strengthened with FTA***
  The pending FTA provides a secure, predictable legal framework for U.S. investors in Peru, including the enforcement of labor and environmental standards, protection of intellectual property rights, and an effective process to resolve disputes.

***Venezuela ↓:*** Government launches "21st Century Socialism"

- ***Economy heats up***
  Buoyed by the high oil prices that have financed record increases in government spending and a consumer spending spree, Venezuela continues to have the fastest growing economy in Latin America, with the non-oil sector growing faster than the oil sector. But it also has the highest inflation rate, more than double any other economy in the region. Government price and currency controls have produced shortages and a black market (where bolivars traded at 4,800 to the dollar in August versus 2,150 at the official rate). With two of two of its biggest listings(CANTV and EDC) removed by nationalization, the stock market, which did very well in 2006, was down 25% for the year in mid-September 2007. In contrast, banks are doing well.

- ***Redefining external position***
  Oil prices and export volume give Venezuela the most favorable terms of trade in Latin America, which have produced strong external balances and allowed the country to reduce its debt burden. These developments have, in turn, led to improved credit worthiness. Foreign investors, however, find Venezuela to be an increasingly risky environment. The 2006 FDI flow was negative by $2.5 billion, and major oil firms announced their intentions to abandon Venezuela. While President Chávez continues to use petro-diplomacy to act as a "rule-maker" instead of "rule-taker" on the international scene, his challenge to Brazil as the dominant nation in South America faces growing opposition. At the May 1 Labor Day celebration, the President announced that Venezuela was cutting its ties with the World Bank and IMF in favor of developing regional financial institutions like Banco Sur.

- ***Growth and social spending reducing unemployment and poverty***
  Unemployment fell below 10% for the first time in more than a decade.

- ***Chávez consolidating political control***
  Following his December 2006 re-election to a third six-year term, the President moved quickly to further concentrate power in his hands. Already controlling the other branches of government and the armed forces, he took steps to reduce the independence of the media. He did not renew the license of Venezuela's oldest private television station, and replaced it with a new state-funded channel. In mid-August he called for constitutional reforms to end the autonomy of the Central Bank and eliminate presidential term limits. The opposition continues to struggle to present a unified, credible alternative.

- ***From populism to socialism***
  On the eve of his January inauguration, Chávez announced he would nationalize the leading telecommunications and power companies. Later in the year he seized operational control of four heavy oil projects in Orinoco basin, and threatened to nationalize other sectors of the economy. In the macroeconomic policy arena, in addition to price controls and a fixed exchange rate, the government has also resorted to bond sales to drain liquidity from the system.

- ***Problematic legal environment for business***
  Based on the indicators in Tables 13 and 14, Venezuela has one of the most crime ridden, corrupt, bureaucratic, and least competitive legal cultures in Latin America. Pending measures would order employers to grant their employees four hours a week leave to attend ideological training in socialism and reduce the work week to 36 hours. The government has also proposed a co-management system whereby employees would have the right to manage the company or share in profits or both. A series of labor laws passed, generating additional costs for companies that continue to operate in the country.

## BRAZIL AND THE SOUTHERN CONE

South American geopolitics has clouded the prospects of broadening and deepening the integration of the continent. A year ago President Chávez announced that Venezuela would be joining MERCOSUR, and Bolivia and Ecuador would be following. These were seen as steps toward expanding MERCOSUR into a South American counterpart to NAFTA. Now Venezuela's membership in MERCOSUR is caught up in a spat between Chávez and the Brazilian Congress. Meanwhile Venezuela promotes its ALBA trade bloc, which may emerge as its alternative to MERCOSUR if differences cannot be reconciled. The fate of two other Chávez initiatives for South America – Bank

of the South and a South American natural gas pipeline – are still on the agenda, but not assured because of reservations on Brazil's part. In the meantime, two-way Brazil-Venezuela trade and investment are flourishing. Thus far the two neighbors have avoided an irreparable rupture.

The unresolved dispute between Uruguay and Argentina over the construction of two large cellulose mills on the Uruguayan side of a shared river continues unresolved. Uruguay is covering its bets by entertaining the possibility of an FTA with the United States, a move that would seriously undermine MERCOSUR. The MERCOSUR nations created a regional parliament in December in a step toward replicating the experience of the EU as a political bloc.

***Brazil*** ↑***:*** Environment improves in face of corruption scandals.

- ***Moving toward sustained growth***
  Brazil has experienced 20 uninterrupted quarters of growth, and the rate is increasing to a sustainable 4.0% plus. An equally noteworthy accomplishment is the decline in inflation as a result of the inflation targeting policy. This has allowed interest rates to come down, stimulating both consumption and investment. The BOVESPA stock index is at or near historic highs, and there has been a steady stream of IPOs over the last two years.

- ***Strong external performance***
  Brazil is taking advantage of the export boom to build up trade and current account surpluses and increase foreign reserve holdings. This has allowed it to reduce its external debt and debt/export ratio. It has also strengthened the real – 12.6% against the dollar thus far in 2007 – which threatens to erode export competitiveness. In recognition of these accomplishments, the ratings agencies boosted the country's credit rating to one notch below investment grade. Net FDI, which has weakened in recent years (in part because of Brazil-based multinationals expanding abroad), but the flow is positive and strong this year. On the diplomatic front, President Lula has pursued a foreign policy that balances good relations with Washington and Caracas and projects Brazil on to the world scene as a leader of the emerging nations. He is also aggressively positioning Brazil to lead a global bio-fuels revolution.

- ***Poverty and inequality down but violence has escalated***
  Along with the *Bolsa Familia* that subsidizes low income families, growth is beginning to reduce not only the poverty rate but also income inequality. On the negative side, criminal violence linked to drug-trafficking is still a very serious problem, especially in Rio de Janeiro, leading the government to launch a major anti-crime program in September. According to statistics, Brazil is one of the three most violent countries in the world. Failure to control, much less reduce, crime increases investment risks and business costs.

- ***The "Teflon president"***
  Lula began his second four-year term in January. In spite of the problems besieging the government this year – high level corruption, ongoing violence, and the aviation crisis – his public opinion ratings remain favorable (over 50%). One explanation is his popularity among low income Brazilians, whose standard of living is improving because of his income transfer programs. As with all Brazilian presidents, his biggest political challenge is to establish and maintain an effective working majority in Congress, which involves constant horse-trading to get bills passed.

- ***Solid macro-economic policy but reform lags***
  In September the Central Bank lowered the key overnight SELIC lending rate to 11.25% (down from 775 basis points since August 2005), but the reduction was lower than previous cuts because of growing concerns about rising food prices. The expectation that Lula would interpret his easy re-election as a mandate to pursue serious structural reform and de-regulation does not seem likely to be fulfilled. In protest over the government's support for embattled Senate president accused of corruption, the opposition in Congress is currently holding up renewal of the financial transactions tax (CPMF), a crucial source of revenue needed to fund a new infrastructure investment initiative among other programs. This is indicative of how difficult it will be for the popular president to push major items through the legislature.

- ***Important developments in legal environment***
  In August the Supreme Court for the first time in its history took steps that could lead to the conviction of high level politicians (including a top former advisor to the president) on charges of corruption for their involvement in the 2005 Congressional vote buying (*mensalão*) scandal. Other developments in the legal environment include the adoption of a reform under which lower courts are bound by Supreme Court decisions. This should help to reduce the number of cases in the court system and provide greater predictability and transparency. Advancements have accompanied setbacks with the Brazilian decision to create a compulsory license for Merck's Efavirenz AIDS drug, allowing the government to break the drug company's patent and purchase a generic version from other laboratories. The move came just days after Brazil was recognized by the Office of the U.S. Trade Representative for improving its enforcement of intellectual property rights, removing the country from the Priority Watch List to the Watch

List in its annual Special 301 report. Progress on the intellectual property protection front had been critical in U.S. Congress's extension of Generalized System of Preferences tariff benefits.

***Argentina=:*** Inflation and energy problems to challenge next administration.

- ***Growth continues strong but inflation a threat***
  Since 2002 the GDP has expanded at an annual average rate of over 8%. Most observers, and most Argentines, are skeptical of official statistics and the government's claim that inflation is easing. These doubts have weakened the bond market. In general, the domestic capital market has yet to recover from the 2002 crisis.

- ***Mixed external performance***
  High commodity prices and favorable terms of trade sustain growth in exports and the current account surplus. Foreign portfolio investment is strong, but FDI took a big fall last year. Although the nominal external debt and debt ratio are very high, they do not reflect settlement made with most bond holders.

- ***Stronger social environment***
  Unemployment and poverty continue to decline

- ***Cristina Kirchner set to succeed her husband***
  President Kirchner's popularity declined this year in the face of embarrassing corruption scandals, the winter energy crisis, and rising food prices.
  Although the opposition made some local electoral gains – most importantly winning the mayor's office in Buenos Aires – there is no serious challenge to Cristina Fernández de Kirchner winning the October election.

- ***Interventionist policies distort economy***
  Energy shortages that occurred during an exceptionally cold winter underlined the consequences of the government's failure to work out a settlement with energy producers and public utility companies (whose tariffs have been frozen since 2002) that would lure private capital back into the investment-starved energy sector. Another problem in the policy arena is the extensive imposition of price controls to hold down inflation. The government also intervenes in currency markets to minimize appreciation of the peso and short-term volatility.

- ***Concerns over legal environment***
  Concerns over creditor and contract rights and unpredictable regulatory changes blemish the attractiveness of investing in Argentina. The country broke gas contracts with Chile, leading to gas shortages. It closed the local Shell refinery over an environmental dispute. State legislatures in Catamarca and Corrientes provinces are contemplating the seizure of ranch land held by foreigners, reinforcing the message that investing in Argentina can be risky.

***Chile=:*** Mixed year for Latin America's most attractive environment

- ***Growth should top 6.0% but inflation a growing concern***
  Industrial production, domestic consumption and government spending along with exports are important components of the current expansion cycle.

- ***Another strong external performance***
  Chile continues to profit from record high copper prices, which give it extremely favorable terms of trade. Exports are growing at 20% annually; copper now accounts for over 60% of total exports, up from a little over 40% for mineral exports ten years ago. Imports are also growing rapidly, but Chile has a solid current account surplus. The peso has appreciated but not enough to significantly affect the relative prices of Chile's exports. Net FDI in 2006 was second only to Mexico in the region.

- ***Protests in improving social environment***
  According to ECLAC, Chile has reduced the poverty rate to 18.8% today from 38.6% in 1990 through a combination of sustained growth and targeted welfare programs. Unemployment has also dropped. However, organized public protests periodically take place demanding more government attention to education, poverty and inequality.

- ***President slides in polls***
  President Michelle Bachelet had a bumpy first year in office. A bungled effort to put a new, integrated public transportation system into place in Santiago generated much ill will. On the March anniversary of her inauguration, her popularity was down to 47% from 65% when she took office. This led to major changes in her cabinet, the second in a year. But her approval rating continues to drop – down to 41% in September – following more protests. The death of military president Augusto Pinochet in December removed a divisive element from the political scene.

- ***Interest rates up***
  In July the Central Bank began raising the benchmark interest rate (to 5.75% in September) to rein in inflation fueled by rising food prices. Thus far higher interest rates have not affected the growth rate. The government introduced two important policy initiatives: reform of the privatized pension system and a package of measures (Chile Invests) to boost economic growth

- ***Measures strengthen legal environment***
  Chile has the strongest legal environment in Latin America, and its program of judicial reform is considered a model. Violent street protests, largely by youths, have raised concerns. President Bachelet is expected to sign legislation removing the requirement to prove intent in crimes committed by youth, and is proposing legislation to hold parents legally responsible for the crimes of their children. The

2004 International Arbitration Law has seen increased though still limited use as Chile positions itself as a regional platform for international arbitration.

***Paraguay*↑*:*** Country gearing up for election that could produce major change**.**

- ***Growth and inflation up***
  GDP is expected to increase by 4% again this year giving Paraguay the best two years in more than a decade. However, food price increases may produce double-digit inflation in 2007.

- ***Strong export performance***
  High prices and a record soy harvest promise to sustain impressive export growth of recent years, although the country is still running a current account deficit. FDI shows modest increase, while the debt-to-export ratio continues to decline. The IMF stand-by loan is in effect into 2008. Standard & Poor's raised the long-term sovereign credit rating in June from B- to B citing strong economic institutions and more stable political outlook.

- ***Opposition struggles to challenge ruling Colorado Party***
  Electoral politics are beginning to dominate the environment. Neither the Colorado Party, which has controlled the presidency for six decades, nor the opposition coalition has yet to pick their nominees for the April 2008 vote from among competing pre-candidates.

- ***Problematic legal environment***
  Paraguay has traditionally had one of – if not the – most corrupt, least transparent and most cumbersome environments for business in Latin America. There is no evidence that this is changing.

***Uruguay*↑**: Continuing improvements make a more attractive environment.

- ***Four years of sustained growth***
  Rising food and energy costs are generating inflationary pressures in 2007.

- ***Export growth highlights external performance***
  Both exports and imports showed significant increases in 2006. In June 2007 agricultural exports were up 30% over last year. The country steadily restructured its debt profile, and was able to payoff its IMF loan. The government continues to strengthen ties with the United States. In January it signed a Trade and Investment Framework Agreement that could pave the way for a full FTA. President Bush included Uruguay in his five nation Latin American trip in March.

- ***President's popularity high at midterm***
  Midway through his presidency, the government of Tabaré Vásquez received favorable ratings from two-thirds of respondents in a national poll, giving him the highest approval rating in the region.

- ***Reforms enacted***
  Uruguay has passed a series of tax and labor laws, leading to the implementation of personal income tax and the creation of a tax on corporate earnings.

## *III. OUTLOOK*

## OUTLOOK FOR THE REGION

Well into 2007, the outlook for the Latin America was quite positive at least through 2008. However, the emergence of volatility in international financial markets in August means that the prospects for sustained growth under low inflation are less certain. Below we examine the outlook over the next 15 months for each component of the regional business environment before assessing the outlook for the 18 countries in the next section. For each component and each country, we indicate whether it is likely to get better (🡅), get worse (🡇), or stay the same (=) through 2008. We use "?" to indicate an uncertain outlook. We further identify key variables to monitor in the coming 12-15 months.

### *External Environment*

- ***Global*** 🡇
  The global environment is more uncertain now than a year ago. Key questions are whether volatility that riled global financial markets will persist and spill over into Latin America. For the time being, the consensus seems to be that the sub-prime-linked turmoil will be short-term and not deteriorate into a global financial crisis. However, economists are beginning to reduce 2008 U.S. growth forecasts, some predicting a recession. Thus far the impact on Latin America has been minimal, and the region is less vulnerable to external shocks thanks to current account surpluses, trade diversification, large reserves, declining debt, flexible exchange rates, and solid macroeconomic position. However, given the contribution of strong commodity prices and reliance on global capital markets to the current growth cycle, a financial meltdown would eventually take its toll.
  ***Keys: U.S. growth; global financial markets***

- ***Regional=***
  Failure of the U.S. Congress to ratify the FTAs with Peru, Colombia and Panama would not only be a setback for these countries and their relationship with the United States, but it would provoke yet another attempt to configure the Inter-American trade regime. Since the anti-immigrant sentiments in Congress are unlikely to diminish, the immigration issue will again be a point of contention.
  ***Keys: Congressional ratification of FTAs***

***Domestic Environment***

- ***Economic and Financial Performance*** 🡻
  Forecasts for 2008 call for regional GDP growth to approach 5.0% again, although they are being revised downward in light of financial market volatility. Stricter monetary policy to head off inflation may also bring down growth.
  ***Keys: Inflation***

- ***Social Environment=***
  Declines in unemployment and poverty are very much linked to economic expansion through job creation and social spending. A sharp economic downturn would weaken the social environment.
  ***Key: Continued growth***

- ***Political Environment=***
  In 2007-08, only five countries (the most important being Argentina) are scheduled to hold elections. Thus far only Paraguay has a serious (mildly) anti-system candidate. The deliberations and outcome of the efforts to rewrite Bolivia's and Ecuador's constitutions will indicate if further erosion of the institutions of representative democracy are occurring.
  ***Keys: Elections in Dominican Republic, Guatemala, Argentina and Paraguay; constituent assemblies in Bolivia and Ecuador***

- ***Policy Environment*** =
  Venezuela has decided to abandon the policy prescriptions of the Washington Consensus. Its government embarked on a deliberate path of nationalizing important sectors of the economy. In implementing price controls and a fixed exchange rate, it is abandoning the core macroeconomic components of the New Economic Model. While unlikely to trigger a region wide developmental paradigm shift that would be less business friendly, the governments of Bolivia, Ecuador and Nicaragua seem inclined to replicate facets of the Venezuelan model. Should the external environment become less favorable for Latin America, other governments might come under pressure to join the populist policy camp.
  ***Key: Interest rates***

- ***Legal Environment***
  The outlook for the legal environment is mixed. Countries that have entered into free trade agreements with the U.S. are implementing reforms that should strengthen their justice systems and protections for investors. Crime will continue to be a problem region-wide. Chile, Costa Rica and Uruguay display continued strength and stability in their legal and business environment indicators and no change is expected. Venezuela, displaying an abysmal rule of law percentile rank of 9.2, will continue to be a volatile environment with Bolivia and Ecuador following suit. Peru will be particularly interesting to watch in the coming year. The country is pursuing aggressive judicial reforms and boasts a strong economy but social unrest is not abating. The Alien Tort Statute is likely to be increasingly

used to sue multinational corporations suspected of human rights abuses in developing countries unless or until the U.S. Supreme Court rules with greater clarity on what kinds of claims can be pursued by foreigners in U.S. courts. ***Keys: Congressional action on FTAs; outcome of suits against Chiquita and Coca Cola.***

## COUNTRY OUTLOOKS

This section divides the 18 countries into three categories according to the overall character of their business environments – attractive, problematic or mixed – in 2007, and then assesses the outlook for each through 2008. Based on sustained improvements in recent years, we upgraded three countries (Panama, Peru and Uruguay) from mixed to attractive, increasing the number in the most desirable category from four to seven. In 2005, the business environments in only three countries (Mexico, Costa Rica and Chile) were assessed as attractive, which reflects the overall improvement of Latin America in recent years. Brazil, and possibly, Colombia are candidates for upgrading next year, although neither is expected to improve significantly in 2008. At the other end of the spectrum, four countries (Nicaragua, Venezuela, Bolivia and Ecuador) continue to have problematic environments. While the government of Venezuela is not likely to make the business environment in that country attractive to private investors, important decisions to be taken in Bolivia and Ecuador could alter the mix of opportunities and risks for investors in a favorable or unfavorable direction.

### *Attractive Environments*

A quick review of the 14 tables in the Appendix confirms why Chile has the most attractive environment for business in Latin America. It has the most diversified trade linkages, extremely favorable terms of trade, strong and sustained capital flows, dynamic growth with low inflation, strong export growth, manageable debt, declining poverty,

stable politics and consistent, market-friendly policies. The rule of law is strong and getting stronger. The other six countries do not match Chile across the board, but nonetheless, feature a combination of interesting opportunities and relatively low risks. Mexico is Latin America's second largest economy, and is closely integrated to the United States through NAFTA. The Dominican Republic, now linked to the United States through DR-CAFTA, has bounced back from a sharp downturn to resume a high rate of growth. Costa Rica's positive ranking is due to its educated population, stable politics and strong legal culture, plus the resumption of high growth. Uruguay presents a similar profile. The newcomers, Panama and Peru, have significantly improved their performance and policy management.

- ***Mexico↑***
  Although President Calderón faces serious challenges – opening the energy sector to private investment, reforming labor markets, breaking up near monopoly control of private groups and effectively combating drug trafficking – he has demonstrated the political acumen necessary to mount effective responses.
  ***Keys: Continued progress on economic reform; U.S. growth***

- ***Dominican Republic=***
  Politics will heat up as the May election draws near. Barring the unexpected, Leonel Fernandez will be elected to a third term. DR-CAFTA presents both an opportunity and challenge. While it guarantees access to U.S. and Central American markets, it also opens an economy hindered by infrastructure, education and competitiveness deficiencies to cheaper imports. One key will be the ability of the duty-free industries to take advantage of liberalized access to the United States gained under the agreement.
  ***Keys: May election; impact of DR-CAFTA***

- ***Costa Rica?***
  Given Costa Rica's strong performance over the past few years, failure to ratify DR-CAFTA may not be as deleterious as might be expected. However, a no vote would have negative consequences, not least by raising doubts about the ability of President Arias to effectively govern through the rest of his term. There would also be uncertainty about the terms of U.S.-Costa Rican trade (40% of all its trade) going forward as well as the future path of Central American integration without full Costa Rican participation.
  ***Keys: Outcome of DR-CAFTA referendum***

- ***Panama*↑**
  Following revisions in the labor and environmental components to accommodate Democrats, it now appears likely that the U.S. Congress will ratify the FTA. The canal expansion promises sustained growth and rising employment. The main challenge will be to maintain macroeconomic equilibrium and avoid corruption.
  ***Keys: U.S. ratification of FTA; canal expansion***

- ***Peru=***
  Alan Garcia has proven to be a stronger, more effective leader than all but his closest supporters might have expected, given Peru's weak institutions and the disaster of his first term. He must now rise to the task of managing recovery from the August earthquake while coping with the passions certainly to be unleashed by the trial of Alberto Fujimori. Peru has accumulated strong reserves so it is well insulated from external shocks triggered by falling metal prices.
  ***Keys; U.S. ratification of FTA; Fujimori trial***

- ***Chile=***
  A slowdown in the world economy that led to lower commodity prices could have had an impact on Chile, given the importance of copper exports. Chile also imports much of its energy from sources that are not always dependable. On the other hand, with a large rainy-day reserve fund, diversified trading partners and a strong state, Chile is better prepared to cope with such challenges than other countries in the region.
  ***Keys: Energy supplies; inflationary pressures***

- ***Uruguay*↑**
  Socialist president Tabaré Vásquez has quietly maintained the policies of his predecessor to transform Uruguay into the most open, dynamic and well managed small economy in Latin America.
  ***Keys: MERCOSUR relations***

***Problematic Environments***

Even though three of the four countries in the problematic category are experiencing high growth thanks to high energy prices and very favorable terms of trade, they offer an unfavorable risk-reward calculus. Venezuela has explicitly opted for a development strategy that privileges the state over the market, private investment, and property rights. Nicaragua, Bolivia and Ecuador are in the process of deciding how far

they will go down the populist-socialist path. Consequently, the level of uncertainty is high in all three.

- ***Nicaragua?***
  President Daniel Ortega has zigzagged between a new business-friendly version of himself and the old Sandinista radical. This raises doubts about the advisability of investing in Nicaragua. He has also promised to push for constitutional reforms that would allow immediate re-election – certain to provoke confrontation with the opposition – and periodically seems intent on picking a fight with the United States.
  ***Keys: Foreign investment flows; relations with Washington***

- ***Venezuela*** 🡻
  The government is expected to devalue the bolivar within the next year. It also announced that it will hold down spending in the next fiscal year. If these measures fail to bolster the bolivar and reign in inflation, the business environment will become even more unsettled as would additional nationalizations. Because it includes a provision that would shorten the work day, the December constitutional referendum is likely to pass. This would eliminate presidential term limits, curb the autonomy for the Central Bank and strengthen power of government to expropriate private property. Even if prices stay high, Venezuelan oil revenues may decline since production has been declining.
  ***Keys: Oil prices; inflation; December referendum***

- ***Bolivia?***
  Foreign investors have not given up on Bolivia. Its energy and mineral reserves are too valuable, plus until now the government has eschewed the more radical Chávez path in favor of a more measured nationalization program that carves out a role for the private sector. All eyes are now on the Constituent Assembly. Will it resume its deliberations? If it does, will it be able to arrive at compromises (on regional autonomy, land reform, the state's role in the economy and presidential re-election) acceptable to the contending factions? If not, Morales may face the political chaos that forced his predecessors from office.
  ***Key: Deliberations of Constituent Assembly***

- ***Ecuador?***
  Rafael Correa has succeeded in imposing a degree political stability and policy direction, but there remains a high level of uncertainty in the environment. The Constituent Assembly will define the environment. Since Correa won a majority in the assembly in the September vote, he has a great deal of leeway in imposing his vision of a new Ecuador. Correa has disassociated himself from the more extreme steps taken by Chávez, including removing limits on presidential re-election, but he would seem to have a mandate to dismantle the institutional apparatus controlled by the defeated opposition and redefine the role of the state. In this sense, he is more likely to replicate what is happening in Venezuela than

face the fate of his predecessors, the last three of whom did not serve out their full terms.
***Keys: Deliberations of Constituent Assembly***

***Mixed Environments***

In the mixed environment, all countries have improved steadily over the past four years. Argentina has made a dramatic recovery from the financial meltdown and economic depression to which it succumbed in 2002.

- ***El Salvador=***
  El Salvador is finally beginning to reap rewards for its full embrace of the New Economic Model and early entrance into DR-CAFTA.
  ***Keys: U.S. immigration policy***

- ***Guatemala=***
  Although the presidential run-off features candidates with contrasting agendas – Colom calling for increased social spending and Perez promising increased security – it seems likely that neither will deviate from economic policies of recent administrations nor make serious headway in diminishing violence. Composition of the legislature is not yet decided.
  ***Keys: November run-off***

- ***Honduras=***
  Should the U.S. adopt a more restrictive immigration policy the impact on Honduras through reduced remittances could be serious. Failure to go through with the announced global bonds issuance – the first in Honduran history – would be a setback.
  ***Keys: U.S. immigration policy; global bonds issue***

- ***Colombia=***
  While growth may decline because of rising interest rates, the remarkable economic recovery Colombia is enjoying will continue. Failure of the U.S. Congress to ratify the FTA would be a setback, but it would not be fatal if it retains Colombia preferential access to the U.S. market through extension of the Andean Trade Preference and Drug Eradication Act.
  ***Keys: Ratification of FTA with U.S.***

- ***Brazil=***
  Brazil is on the brink of joining the other dynamic emerging markets (the BRIC countries of Brazil plus Russia, India and China) on the road to sustained high growth. Certainly the government's adherence to solid macro-economic policies has impressed the financial world. The coveted investment grade credit rating is possible within the year. Doubts remain, however, about whether the Lula

government has be ability – and the inclination – to push serious reform (social security, tax, labor markets) through the scandal-tainted Congress where constant dealing-making is required. Thanks to a more diversified mix of the trading basket and strong international reserves, Brazil is better prepared to weather external shocks than in the past.
***Keys: Structural reforms; credit rating upgrade***

- ***Argentina=***
  Cristina Fernández de Kirchner will be the next president of Argentina. Her biggest challenge will be to deal with the issues that her husband has put off in order to sustain the remarkable yet incomplete recovery that Argentina has experienced during his term. More international in her orientation, expectations are that she will seek to improve Argentina's external relations, most importantly with the United Sates.
  ***Keys: October election; inflation; energy policy***

- ***Paraguay?***
  The strong showing of Fernando Lugo, the populist former bishop and would-be candidate of the *Concertacion* alliance, in early polls suggested that the opposition has a chance to end the Colorado Party's six decade hold on the presidency. However, there are serious doubts that the 10-party coalition can unite behind Lugo. In September, former General Lino Oviedo was released from prison where he was serving a term for leading an unsuccessful coup in 1996. He also took his party out of the *Concertacion.*
  ***Keys: Party primaries; April election***

## TABLES

Table 1

# MEMBERSHIP IN MAJOR TRADE AGREEMENTS

| | | | | | | | | | BILATERAL AGREEMENTS | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | NAFTA | CACM | DR-CAFTA | CBI | CARICOM | CAN | ATPA | MERCOSUR | CHILE | COLOMBIA | PANAMA | PERU |
| **NAFTA REGION** | | | | | | | | | | | | |
| Mexico | M | | | | | | | | | | | |
| **DR-CAFTA Region** | | | | | | | | | | | | |
| Dominican Republic | | | M | M | M | | | | | | | |
| Costa Rica | | M | P | M | | | | | | | | |
| El Salvador | | M | M | M | | | | | | | | |
| Guatemala | | M | M | M | | | | | | | | |
| Honduras | | M | M | M | | | | | | | | |
| Nicaragua | | M | M | M | | | | | | | | |
| Panama | | | | M | | | | | | | P | |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | | | |
| Bolivia | | | | | | M | M | A | | | | |
| Colombia | | | | | | M | M | | | P | | |
| Ecuador | | | | | | M | M | | | | | |
| Peru | | | | | | M | M | | | | | P |
| Venezuela | | | | | | | | M | | | | |
| **SOUTHERN CONE** | | | | | | | | | | | | |
| Argentina | | | | | | | | M | | | | |
| Brazil | | | | | | | | M | | | | |
| Chile | | | | | | | | A | M | | | |
| Paraguay | | | | | | | | M | | | | |
| Uruguay | | | | | | | | M | | | | |
| **US MEMBERSHIP** | M | | M | M | | | M | | M | P | P | P |

**A** = Associate Member **M** = Member **P** = Membership Pending
NAFTA = North American Free Trade Agreement CACM = Central Amerian Common Market
CAFTA-DR = US Free Trade Agreement with Central America and the Dominican Republic CBI = Carbbean Basin Initiative
CARICOM = Caribbean Common Market CAN = Andean Community ATPA = Andean Trade Preference Act
MERCOSUR = Common Market of the South CHILE = US-Chile Free Trade Agreement
COLOMBIA = US-Colombia Trade Promotion Agreement PANAMA = US-Panama Trade Promotion Agreement PERU = US-Peru Trade Promotion Agreement

Table 2

# TERMS OF TRADE, 1997-2006

(2000=100)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | | |
| Mexico | 89.5 | 90.6 | 99.3 | 100.0 | 97.4 | 97.9 | 98.8 | 101.6 | 103.6 | 107.6 |
| **DR-CAFTA REGION** | | | | | | | | | | |
| Dominican Republic | 106.1 | 108.0 | 105.7 | 100.0 | 100.9 | 101.5 | 97.9 | 96.7 | 95.8 | 94.9 |
| Costa Rica | 125.9 | 117.5 | 106.9 | 100.0 | 98.4 | 96.9 | 95.5 | 91.9 | 88.3 | 84.9 |
| El Salvador | 95.0 | 95.8 | 99.6 | 100.0 | 102.5 | 101.6 | 97.7 | 96.8 | 96.8 | 94.9 |
| Guatemala | 97.9 | 115.3 | 101.9 | 100.0 | 96.7 | 95.8 | 93.0 | 92.1 | 91.3 | 89.6 |
| Honduras | 125.5 | 108.9 | 107.5 | 100.0 | 94.8 | 92.0 | 88.0 | 87.2 | 87.2 | 83.9 |
| Nicaragua | 82.0 | 79.6 | 95.3 | 100.0 | 88.4 | 87.0 | 84.1 | 82.5 | 81.4 | 79.8 |
| Panama | 103.9 | 104.7 | 104.6 | 100.0 | 102.7 | 101.6 | 97.2 | 95.3 | 93.5 | 90.8 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | |
| Bolivia | 107.9 | 102.0 | 97.1 | 100.0 | 95.8 | 96.2 | 98.5 | 104.1 | 111.8 | 134.6 |
| Colombia | 93.3 | 81.2 | 87.2 | 100.0 | 94.2 | 92.5 | 95.2 | 108.5 | 117.7 | 124.5 |
| Ecuador | 89.1 | 75.8 | 89.1 | 100.0 | 84.6 | 86.8 | 89.8 | 91.5 | 102.4 | 111.8 |
| Peru | 115.5 | 103.4 | 100.8 | 100.0 | 95.6 | 98.4 | 102.2 | 111.3 | 119.4 | 150.1 |
| Venezuela | 70.1 | 51.2 | 66.1 | 100.0 | 82.2 | 87.6 | 98.7 | 118.1 | 154.4 | 188.9 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | |
| Argentina | 102.2 | 96.6 | 90.9 | 100.0 | 99.3 | 98.7 | 107.2 | 109.2 | 106.9 | 111.8 |
| Brazil | 113.6 | 111.9 | 97.0 | 100.0 | 99.6 | 98.4 | 97.0 | 97.9 | 99.2 | 102.4 |
| Chile | 94.5 | 91.0 | 94.2 | 100.0 | 93.3 | 97.2 | 102.8 | 124.9 | 139.8 | 186.9 |
| Paraguay | 106.2 | 108.0 | 101.7 | 100.0 | 100.2 | 96.7 | 101.4 | 104.3 | 97.4 | 95.5 |
| Uruguay | 102.9 | 104.4 | 95.9 | 100.0 | 104.0 | 102.6 | 103.5 | 99.9 | 90.7 | 89.1 |
| **LATIN AMERICA AND CARIBBEAN** | 95.0 | 91.3 | 94.5 | 100.0 | 96.3 | 96.6 | 98.6 | 103.9 | 109.0 | 117.5 |

**SOURCE:** *United Nations Economic Commission for Latin America and the Caribbean. Preliminary Overview of the Economies of Latin America and the Caribbean 2006. Santiago, Chile: United Nations Publications, December 2006.*

[1] Preliminary estimates for Year 2006 from ECLAC

Table 3

# NET FOREIGN DIRECT INVESTMENT, 1997-2006

**(Millions of US dollars)**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | | |
| Mexico | 12,831 | 12,409 | 13,631 | 17,588 | 21,800 | 18,154 | 14,003 | 14,509 | 12,460 | 17,300 |
| **DR-CAFTA REGION** | | | | | | | | | | |
| Dominican Republic | 421 | 700 | 1,338 | 953 | 1,079 | 917 | 613 | 909 | 1,023 | 1,050 |
| Costa Rica | 404 | 608 | 614 | 400 | 451 | 625 | 548 | 733 | 904 | 1,611 |
| El Salvador | 59 | 1,103 | 162 | 178 | 289 | 496 | 123 | 430 | 300 | 222 |
| Guatemala | 84 | 673 | 155 | 230 | 456 | 111 | 131 | 155 | 208 | 325 |
| Honduras | 122 | 99 | 237 | 282 | 193 | 176 | 247 | 325 | 272 | 299 |
| Nicaragua | 203 | 218 | 337 | 267 | 150 | 204 | 201 | 250 | 241 | 290 |
| Panama | 1,299 | 1,203 | 864 | 624 | 467 | 99 | 771 | 1,004 | 1,027 | 2,500 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | |
| Bolivia | 728 | 947 | 1,008 | 734 | 703 | 674 | 195 | 63 | -280 | 100 |
| Colombia | 4,753 | 2,033 | 1,392 | 2,069 | 2,509 | 1,283 | 820 | 2,975 | 5,751 | 3,949 |
| Ecuador | 724 | 870 | 648 | 720 | 1,330 | 1,275 | 1,555 | 1,160 | 1,646 | 2,899 |
| Peru | 2,054 | 1,582 | 1,812 | 810 | 1,070 | 2,156 | 1,275 | 1,599 | 2,579 | 3,500 |
| Venezuela | 5,645 | 3,942 | 2,018 | 4,180 | 3,479 | -244 | 722 | 864 | 1,400 | -2,500 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | |
| Argentina | 5,507 | 4,965 | 22,257 | 9,517 | 2,005 | 2,776 | 878 | 3,832 | 3,579 | 869 |
| Brazil | 18,608 | 26,002 | 26,888 | 30,498 | 24,715 | 14,108 | 9,894 | 8,339 | 12,550 | -6,858 |
| Chile | 3,809 | 3,144 | 6,203 | 873 | 2,590 | 2,207 | 2,701 | 5,646 | 4,764 | 6,600 |
| Paraguay | 230 | 336 | 89 | 98 | 78 | 12 | 22 | 38 | 58 | 90 |
| Uruguay | 113 | 155 | 238 | 274 | 291 | 180 | 401 | 315 | 715 | 1,193 |
| **LATIN AMERICA AND CARIBBEAN** | 57,599 | 60,999 | 79,923 | 70,308 | 63,659 | 45,213 | 35,114 | 43,149 | 49,206 | 33,483 |

**SOURCE:** *ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean 2006*

[1] Preliminary estimates for Year 2006 from ECLAC

**Table 4**

# GDP GROWTH, 1997-2007

**(Percentage Change)**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] | Average 1997-2006 | 2007 [2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | | | | |
| Mexico | 6.8 | 5.0 | 3.8 | 6.6 | 0.0 | 0.8 | 1.4 | 4.2 | 3.0 | 4.8 | 3.6 | 3.4 |
| **DR-CAFTA REGION** | | | | | | | | | | | | |
| Dominican Republic | 8.1 | 8.3 | 6.1 | 7.9 | 2.3 | 5.0 | -0.4 | 2.7 | 9.2 | 10.0 | 5.9 | 6.0 |
| Costa Rica | 5.6 | 8.4 | 8.2 | 1.8 | 1.1 | 2.9 | 6.4 | 4.1 | 5.9 | 6.8 | 5.1 | 6.0 |
| El Salvador | 4.2 | 3.7 | 3.4 | 2.2 | 1.7 | 2.3 | 2.3 | 1.8 | 2.8 | 3.8 | 2.8 | 4.0 |
| Guatemala | 4.4 | 5.0 | 3.8 | 3.6 | 2.3 | 2.2 | 2.1 | 2.7 | 3.2 | 4.6 | 3.4 | 4.5 |
| Honduras | 5.0 | 2.9 | -1.9 | 5.7 | 2.6 | 2.7 | 3.5 | 5.0 | 4.1 | 5.6 | 3.5 | 4.8 |
| Nicaragua | 4.0 | 3.7 | 7.0 | 4.1 | 3.0 | 0.8 | 2.5 | 5.1 | 4.0 | 3.7 | 3.8 | 4.2 |
| Panama | 6.4 | 7.4 | 4.0 | 2.7 | 0.6 | 2.2 | 4.2 | 7.5 | 6.9 | 7.5 | 4.9 | 6.6 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | | | |
| Bolivia | 5.0 | 5.0 | 0.4 | 2.5 | 1.7 | 2.5 | 2.9 | 3.9 | 4.1 | 4.5 | 3.3 | 4.5 |
| Colombia | 3.4 | 0.6 | -4.2 | 2.9 | 1.5 | 1.9 | 3.9 | 4.9 | 5.2 | 6.0 | 2.6 | 5.5 |
| Ecuador | 4.1 | 2.1 | -6.3 | 2.8 | 5.3 | 4.2 | 3.6 | 7.9 | 4.7 | 4.9 | 3.3 | 2.7 |
| Peru | 6.9 | -0.7 | 0.9 | 3.0 | 0.2 | 5.2 | 3.9 | 5.2 | 6.4 | 7.2 | 3.8 | 6.0 |
| Venezuela | 6.4 | 0.3 | -6.0 | 3.7 | 3.4 | -8.9 | -7.7 | 17.9 | 9.3 | 10.0 | 2.8 | 6.2 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | | | |
| Argentina | 8.1 | 3.9 | -3.4 | -0.8 | -4.4 | -10.9 | 8.8 | 9.0 | 9.2 | 8.5 | 2.8 | 7.5 |
| Brazil | 3.3 | 0.1 | 0.8 | 4.4 | 1.3 | 1.9 | 0.5 | 4.9 | 2.3 | 2.8 | 2.2 | 4.4 |
| Chile | 6.6 | 3.2 | -0.8 | 4.5 | 3.4 | 2.2 | 3.9 | 6.2 | 6.3 | 4.4 | 4.0 | 5.2 |
| Paraguay | 3.0 | 0.6 | -1.5 | -3.3 | 2.1 | 0.0 | 3.8 | 4.1 | 2.9 | 4.0 | 1.6 | 4.0 |
| Uruguay | 5.0 | 4.5 | -2.8 | -1.4 | -3.4 | -11.0 | 2.2 | 11.8 | 6.6 | 7.3 | 1.9 | 5.0 |
| **LATIN AMERICA AND CARIBBEAN** | 5.5 | 2.6 | 0.4 | 3.9 | 0.3 | -0.8 | 2.0 | 5.9 | 4.5 | 5.3 | 3.0 | 4.9 |

**SOURCES:** *International Monetary Fund. World Economic Outlook 2007: Spillovers and Cycles in the Global Economy. Washington, D.C.: International Monetary Fund, April 2007.*

*ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean, 2006*

[1] Preliminary estimates for Year 2006 from ECLAC

[2] Preliminary estimates for Year 2007 from IMF Economic Outlook 2007

Table 5

# ANNUAL INFLATION, 1997-2007

**(Percentage variation in CPI, December through December)**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] | 2007 [2] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | | | |
| Mexico | 15.7 | 18.6 | 12.3 | 9.0 | 4.4 | 5.7 | 4.0 | 5.2 | 3.3 | 4.1 | 3.9 |
| **DR-CAFTA REGION** | | | | | | | | | | | |
| Dominican Republic | 8.4 | 7.8 | 5.1 | 9.0 | 4.4 | 10.5 | 42.7 | 28.7 | 7.4 | 3.7 | 4.5 |
| Costa Rica | 11.2 | 12.4 | 10.1 | 10.2 | 11.0 | 9.7 | 9.9 | 13.1 | 14.1 | 9.4 | 8.1 |
| El Salvador | 1.9 | 4.2 | -1.0 | 4.3 | 1.4 | 2.8 | 2.5 | 5.4 | 4.3 | 3.9 | 4.4 |
| Guatemala | 7.1 | 7.5 | 4.9 | 5.1 | 8.9 | 6.3 | 5.9 | 9.2 | 8.6 | 4.4 | 6.2 |
| Honduras | 12.8 | 15.7 | 10.9 | 10.1 | 8.8 | 8.1 | 6.8 | 9.2 | 7.7 | 4.9 | 6.0 |
| Nicaragua | 7.3 | 18.5 | 7.2 | 9.9 | 4.7 | 4.0 | 6.6 | 8.9 | 9.6 | 7.5 | 6.1 |
| Panama | -0.5 | 1.4 | 1.5 | 0.7 | 0.0 | 1.9 | 1.5 | 1.5 | 3.4 | 1.3 | 2.2 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | | |
| Bolivia | 6.7 | 4.4 | 3.1 | 3.4 | 0.9 | 2.4 | 3.9 | 4.6 | 4.9 | 4.7 | 6.5 |
| Colombia | 17.7 | 16.7 | 9.2 | 8.8 | 7.6 | 7.0 | 6.5 | 5.5 | 4.9 | 4.3 | 4.2 |
| Ecuador | 30.6 | 43.4 | 60.7 | 91.0 | 22.4 | 9.3 | 6.1 | 1.9 | 3.1 | 3.2 | 2.8 |
| Peru | 6.5 | 6.0 | 3.7 | 3.7 | -0.1 | 1.5 | 2.5 | 3.5 | 1.5 | 1.5 | 1.0 |
| Venezuela | 37.6 | 29.9 | 20.0 | 13.4 | 12.3 | 31.2 | 27.1 | 19.2 | 14.4 | 15.8 | 21.6 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | | |
| Argentina | 0.3 | 0.7 | -1.8 | -0.7 | -1.5 | 41.0 | 3.7 | 6.1 | 12.3 | 10.0 | 10.3 |
| Brazil | 5.2 | 1.7 | 8.9 | 6.0 | 7.7 | 12.5 | 9.3 | 7.6 | 5.7 | 3.0 | 3.5 |
| Chile | 6.0 | 4.7 | 2.3 | 4.5 | 2.6 | 2.8 | 1.1 | 2.4 | 3.7 | 2.1 | 2.5 |
| Paraguay | 6.2 | 14.6 | 5.4 | 8.6 | 8.4 | 14.6 | 9.3 | 2.8 | 9.9 | 8.9 | 10.2 |
| Uruguay | 15.2 | 8.6 | 4.2 | 5.1 | 3.6 | 25.9 | 10.2 | 7.6 | 4.9 | 6.2 | 6.0 |
| **LATIN AMERICA AND CARIBBEAN [3]** | 10.7 | 10.0 | 9.7 | 9.0 | 6.1 | 12.2 | 8.5 | 7.4 | 6.1 | 4.8 | 5.2 |

**SOURCE:** *ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean 2006*

[1] Preliminary estimates for Year 2006 from ECLAC

[2] Preliminary estimate for Year 2007 from IMF Economic Outlook 2007

[3] Does not include the Bahamas, Barbados, Grenada, Guyana, St. Vincent & the Grenadines, St. Lucia or Cuba.

Table 6

# EXPORTS, IMPORTS AND CURRENT ACCOUNT BALANCE, 2003-2006

(Millions of US dollars)

| | 2003 | | | 2004 | | | 2005 | | | 2006 [1] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exports | Imports | C/Account | Exports | Imports | C/Account | Exports | Imports | C/Account | Exports | Imports | C/Account |
| **NAFTA REGION** | | | | | | | | | | | | |
| Mexico | 164,766 | 170,546 | -8,615 | 187,999 | 196,810 | -6,682 | 214,233 | 221,820 | -5,039 | 252,795 | 259,529 | -2,651 |
| **DR-CAFTA REGION** | | | | | | | | | | | | |
| Dominican Republic | 5,471 | 7,627 | 1,036 | 5,936 | 7,888 | 1,047 | 6,146 | 9,876 | -500 | 6,392 | 10,864 | -807 |
| Costa Rica | 6,163 | 7,294 | -929 | 6,370 | 7,791 | -796 | 7,100 | 9,230 | -964 | 8,445 | 10,600 | -1,120 |
| El Salvador | ** | ** | ** | 3,337 | 5,999 | -632 | 3,432 | 6,440 | -786 | 3,594 | 7,151 | -832 |
| Guatemala | ** | ** | ** | 3,368 | 7,189 | -1,211 | 3,701 | 8,070 | -1,387 | 4,046 | 9,077 | -1,533 |
| Honduras | ** | ** | ** | 2,393 | 3,677 | -404 | 2,648 | 4,188 | -67 | 2,938 | 5,005 | -22 |
| Nicaragua | 1,050 | 2,021 | -749 | 1,365 | 2,440 | -696 | 1,552 | 2,865 | -800 | 1,925 | 3,287 | -764 |
| Panama | 5,049 | 6,162 | -437 | 6,078 | 7,617 | -1,061 | 7,591 | 8,907 | -782 | 8,578 | 10,154 | -716 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | | | |
| Bolivia | 1,598 | 1,616 | 62 | 2,146 | 1,725 | 337 | 2,791 | 2,341 | 619 | 3,908 | 2,833 | 1,284 |
| Colombia | 13,825 | 13,258 | -987 | 17,224 | 15,878 | -938 | 21,729 | 20,134 | -1,981 | 24,240 | 24,788 | -2,359 |
| Ecuador | 6,381 | 6,294 | -340 | 7,968 | 7,684 | -564 | 10,427 | 9,698 | 204 | 12,721 | 11,637 | 503 |
| Peru | 9,091 | 8,255 | -935 | 12,809 | 9,805 | 19 | 17,336 | 12,076 | 1,105 | 23,404 | 14,491 | 2,292 |
| Venezuela | 27,170 | 10,687 | 11,448 | 39,668 | 17,021 | 15,519 | 55,473 | 23,693 | 25,534 | 69,341 | 31,038 | 31,293 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | | | |
| Argentina | 29,939 | 13,134 | 8,019 | 34,576 | 21,311 | 3,446 | 40,106 | 27,302 | 5,789 | 47,040 | 32,937 | 8,473 |
| Brazil | 73,084 | 48,290 | 4,177 | 96,475 | 62,835 | 11,679 | 118,308 | 73,560 | 14,193 | 138,421 | 92,686 | 13,074 |
| Chile | 21,524 | 18,002 | -1,102 | 32,215 | 23,020 | 1,586 | 40,574 | 30,394 | 703 | 60,049 | 35,713 | 5,888 |
| Paraguay | 2,175 | 2,450 | 122 | 2,863 | 3,108 | 138 | 3,266 | 3,758 | -22 | 4,343 | 5,261 | -265 |
| Uruguay | 2,281 | 2,098 | -58 | 3,145 | 2,992 | 43 | 3,758 | 3,730 | 1 | 4,500 | 4,900 | -406 |
| **LATIN AMERICAN AND CARIBBEAN** | 378,206 | 333,513 | 8,571 | 466,311 | 405,998 | 20,775 | 560,629 | 479,391 | 35,873 | 677,170 | 573,524 | 51,294 |

**SOURCE**: *ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean 2006*

[1] Preliminary estimates for 2006 from ECLAC

Table 7

# GROSS DISBURSED EXTERNAL DEBT, 1997-2006

(Millions of US dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | | |
| Mexico | 149,028 | 160,258 | 166,381 | 148,652 | 144,526 | 134,979 | 132,271 | 130,922 | 127,089 | 130,946 |
| **DR-CAFTA REGION** | | | | | | | | | | |
| Dominican Republic | 3,572 | 3,546 | 3,661 | 3,682 | 4,177 | 4,536 | 5,987 | 6,380 | 6,756 | 7,021 |
| Costa Rica | 2,640 | 2,872 | 3,057 | 3,151 | 3,175 | 3,281 | 3,733 | 3,884 | 3,626 | 3,611 |
| El Salvador | 2,689 | 2,646 | 2,789 | 2,831 | 3,148 | 3,987 | 4,717 | 4,778 | 4,976 | 5,418 |
| Guatemala | 2,135 | 2,368 | 2,631 | 2,644 | 2,925 | 3,119 | 3,467 | 3,844 | 3,723 | 4,063 |
| Honduras | 4,073 | 4,369 | 4,691 | 4,711 | 4,757 | 4,922 | 5,242 | 5,912 | 5,082 | 4,912 |
| Nicaragua | 6,001 | 6,287 | 6,549 | 6,660 | 6,374 | 6,363 | 6,596 | 5,391 | 5,348 | 5,336 |
| Panama | 5,051 | 5,349 | 5,568 | 5,604 | 6,263 | 6,349 | 6,504 | 7,219 | 7,580 | 7,914 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | |
| Bolivia | 4,532 | 4,659 | 4,574 | 4,460 | 4,497 | 4,400 | 5,142 | 5,045 | 4,942 | 4,673 |
| Colombia | 34,409 | 36,681 | 36,733 | 36,130 | 39,101 | 37,329 | 38,012 | 39,445 | 38,350 | 37,209 |
| Ecuador | 15,015 | 16,221 | 15,902 | 13,216 | 14,376 | 16,236 | 16,756 | 17,211 | 17,237 | 16,900 |
| Peru | 28,864 | 30,142 | 28,586 | 27,981 | 27,196 | 27,873 | 29,587 | 31,117 | 28,605 | 27,933 |
| Venezuela | 37,242 | 35,087 | 37,016 | 36,437 | 35,398 | 35,460 | 39,672 | 44,546 | 47,233 | 43,120 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | |
| Argentina | 129,964 | 147,634 | 152,563 | 155,015 | 166,272 | 156,748 | 164,645 | 171,115 | 113,518 | 106,812 |
| Brazil | 199,998 | 223,792 | 225,610 | 216,921 | 209,934 | 210,711 | 214,930 | 201,373 | 169,450 | 156,661 |
| Chile | 29,034 | 32,591 | 34,758 | 37,177 | 38,527 | 40,504 | 43,067 | 43,517 | 45,014 | 47,604 |
| Paraguay | 2,029 | 2,235 | 2,741 | 2,869 | 2,653 | 2,900 | 2,952 | 2,894 | 2,761 | ** |
| Uruguay | 4,945 | 5,467 | 8,261 | 8,895 | 8,937 | 10,548 | 11,013 | 11,593 | 11,441 | 11,464 |
| **LATIN AMERICA AND CARIBBEAN** | **680,332** | **742,694** | **762,267** | **738,237** | **744, 560** | **733,062** | **757,775** | **761,344** | **656,129** | **632,849** |

**SOURCE:** *ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean 2006*

[1] Preliminary estimates for Year 2006 are from ECLAC

**Table 8**

# DEBT[1]/EXPORT RATIO, 1997-2006

**(as a percentage of exports of goods and services)**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | | |
| Mexico | 123 | 124 | 112 | 83 | 84 | 78 | 75 | 65 | 55 | 49 |
| **DR-CAFTA REGION** | | | | | | | | | | |
| Dominican Republic | 51 | 47 | 46 | 41 | 50 | 55 | 67 | 68 | 67 | 67 |
| Costa Rica | 49 | 42 | 37 | 41 | 46 | 46 | 46 | 45 | 37 | 32 |
| El Salvador | 92 | 87 | 88 | 77 | 88 | 105 | 115 | 108 | 109 | 112 |
| Guatemala | 67 | 68 | 76 | 69 | 75 | 79 | 84 | 85 | 75 | 74 |
| Honduras | 186 | 180 | 210 | 189 | 196 | 196 | 195 | 190 | 148 | 131 |
| Nicaragua | 666 | 666 | 680 | 604 | 570 | 557 | 505 | 327 | 287 | 235 |
| Panama | 60 | 65 | 78 | 72 | 78 | 84 | 86 | 82 | 71 | 64 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | |
| Bolivia | 321 | 344 | 349 | 303 | 296 | 283 | 262 | 197 | 151 | 107 |
| Colombia | 242 | 273 | 263 | 229 | 260 | 263 | 242 | 203 | 157 | 137 |
| Ecuador | 248 | 324 | 298 | 221 | 253 | 264 | 229 | 192 | 150 | 123 |
| Peru | 345 | 400 | 372 | 330 | 321 | 302 | 274 | 210 | 146 | 108 |
| Venezuela | 148 | 183 | 166 | 105 | 126 | 128 | 141 | 109 | 83 | 61 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | |
| Argentina | 420 | 473 | 546 | 496 | 533 | 538 | 479 | 431 | 245 | 197 |
| Brazil | 338 | 381 | 409 | 336 | 311 | 301 | 257 | 185 | 126 | 99 |
| Chile | 133 | 161 | 165 | 160 | 172 | 179 | 162 | 114 | 94 | 70 |
| Paraguay | 51 | 54 | 95 | 98 | 109 | 120 | 108 | 83 | 70 | 54 |
| Uruguay | 117 | 132 | 238 | 243 | 274 | 392 | 357 | 270 | 225 | 196 |
| **LATIN AMERICA AND CARIBBEAN** | **198** | **216** | **211** | **172** | **181** | **178** | **168** | **138** | **101** | **83** |

**SOURCE:** *ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean 2006*

[1] Gross disbursed external debt includes the public-and-private sector external debt. Also includes International Monetary Fund loans.

[2] Preliminary estimates for Year 2006 from ECLAC

Table 9

# EXCHANGE RATES AND IMF AGREEMENTS, 2006

| | Currency | EXCHANGE RATE June 19, 2006 | June 19, 2007 | % change | Exchange Rate Regime | IMF Agreements (Dates) |
|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | |
| Mexico | peso | 11.46 | 10.78 | 5.93% | Independent Float | |
| **DR-CAFTA REGION** | | | | | | |
| Dominican Republic | peso | 34.35 | 32.73 | 4.72% | | Stand-by (1/05-1/08) |
| Costa Rica | colón | 532.4 | 527.8 | 0.86% | Managed Float | |
| El Salvador | colón/U.S. dollar | 9.16 | 8.91 | 2.73% | Dollarized | |
| Guatemala | quetzal | 7.95 | 7.80 | 1.89% | Managed Float | |
| Honduras | lempira | 19.71 | 19.22 | 2.49% | Managed Float | PRGF[1] (2/04-2/07) |
| Nicaragua | córdoba oro | 17.91 | 18.73 | -4.58% | Managed Float | |
| Panama | balboa/U.S. dollar | 1.04 | 1.02 | 1.92% | Dollarized | |
| **ANDEAN SOUTH AMERICA** | | | | | | |
| Bolivia | boliviano | 8.33 | 8.08 | 3.00% | Managed Float | |
| Colombia | peso | 2675.5 | 1954.2 | 26.96% | Independent Float | |
| Ecuador | sucre/U.S. dollar | 1.00 | 1.00 | 0.00% | Dollarized | |
| Peru | nuevo sol | 3.41 | 3.21 | 5.87% | Independent Float | Stand-by (1/07-2/09) |
| Venezuela | bolivar | 2148.8 | 2149.0 | -0.01% | Managed and Licensed | |
| **BRAZIL AND SOUTHERN CONE** | | | | | | |
| Argentina | peso | 3.08 | 3.08 | 0.00% | Independent Float | |
| Brazil | real | 2.25 | 1.91 | 15.11% | Independent Float | |
| Chile | peso | 567.9 | 526.1 | 7.36% | Independent Float | |
| Paraguay | guarani | 5873.3 | 5185.7 | 11.71% | Independent Float | Stand-by (5/06-8/08) |
| Uruguay | peso | 24.93 | 24.16 | 3.09% | Managed Float | |

**SOURCES:** Oanda Currency Conversion Homepage <www.oanda.com/convert/fxdaily>; IMF Homepage <www.imf.org>

Key for IMF Agreements:

Stand-by is the most common type of credit arrangement designed to provide short-term financial assistance

[1]PRGF (Poverty Reduction and Growth Facility) is a concessional arrangement providing credit at an interest rate of 0.5% to eligible low-income members

Table 10

# SOCIAL ENVIRONMENT, 2007

| | POPULATION (Millions) 2005 | AVG. POP. GROWTH % 2004-15 | ILLITERATE POP. % 2005-2010 | GDP PER CAPITA (PPP $U.S.)* 2004 | GROWTH % 1990-2004 | INCOME INEQUALITY GINI index** | HDI (World rank)*** 2006 | POPULATION IN POVERTY % 2005 | URBAN UNEMPLOYMENT RATE % 2005 |
|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | |
| Mexico | 104.2 | 1.1 | 6.2 | $9,803 | 1.3 | 49.5 | 53 | 35.5 | 4.7 |
| **DR-CAFTA REGION** | | | | | | | | | |
| Dominican Republic | 9.5 | 1.3 | 12.9 | $7,449 | 4.2 | 51.7 | 94 | 47.5 | 18.0 |
| Costa Rica | 4.3 | 1.4 | 3.2 | $9,481 | 2.5 | 49.9 | 48 | 21.1 | 6.9 |
| El Salvador | 6.9 | 1.5 | 16.6 | $5,041 | 1.8 | 52.4 | 101 | (2004) 47.5 | 7.3 |
| Guatemala | 12.7 | 2.3 | 25.2 | $4,313 | 1.3 | 55.1 | 118 | (2002) 60.2 | (2004) 4.4 |
| Honduras | 6.9 | 2.0 | 19.4 | $2,876 | 0.2 | 53.8 | 117 | (2003) 74.8 | 6.5 |
| Nicaragua | 5.5 | 1.9 | 30.3 | $3,634 | 0.1 | 43.1 | 112 | (2001) 69.3 | 7.0 |
| Panama | 3.2 | 1.6 | 6.0 | $7,278 | 2.2 | 56.4 | 58 | 33.0 | 12.0 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | |
| Bolivia | 9.4 | 1.7 | 9.4 | $2,720 | 1.2 | 60.1 | 115 | (2004) 63.9 | (2004) 6.2 |
| Colombia | 44.9 | 1.3 | 5.9 | $7,256 | 0.5 | 58.6 | 70 | 46.8 | 14.0 |
| Ecuador | 13.2 | 1.4 | 5.8 | $3,963 | 0.2 | 43.7 | 83 | 48.3 | 10.7 |
| Peru | 27.3 | 1.4 | 7.0 | $5,678 | 2.1 | 54.6 | 82 | 51.1 | 9.6 |
| Venezuela | 26.6 | 1.6 | 4.8 | $6,043 | -1.2 | 44.1 | 72 | 37.1 | 12.4 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | |
| Argentina | 38.6 | 1.0 | 2.4 | $13,298 | 1.3 | 52.8 | 36 | 26.0 [1] | 11.6 |
| Brazil | 187.6 | 1.2 | 9.6 | $8,195 | 1.2 | 58.0 | 69 | 36.3 | 9.8 |
| Chile | 16.3 | 1.0 | 2.9 | $10,874 | 3.7 | 57.1 | 38 | (2003) 18.7 | 8.0 |
| Paraguay | 5.9 | 2.1 | 4.7 | $4,813 | -0.8 | 57.8 | 91 | 60.5 | 7.6 |
| Uruguay | 3.3 | 0.6 | 1.7 | $9,421 | 0.8 | 44.9 | 43 | 18.8 [1] | 12.2 |

**SOURCES:** *United Nations Development Programme. Human Development Report 2006: Beyond Scarcity: Power, Poverty and the Global Water Crisis. New York: United Nations Development Programme, 2006.*

*United Nations Economic Commission for Latin America and the Caribbean. Social Panorama of Latin America 2006. Santiago, Chile: United Nations Publications, February 2007.*

* GDP per capita (Purchasing Power Parity in $U.S.). 1 PPP dollar has the same purchasing power in the domestic economy as 1 U.S. dollar has in the U.S. economy

** The Gini index measures inequality over the entire distribution of income or consumption. A value of 0 represents perfect equality, and a value of 100 perfect inequality

*** The Human Development Index (HDI) measures a country's achievements in three aspects of human development: longevity (life expectancy at birth), knowledge (combination of literacy rate and enrollment ratio), and a decent standard of living (GDP per capita - PPP in $U.S.).

[1] Percent of urban population in poverty

**Table 11**

# POLTICAL ENVIRONMENT, 2007

| | Level of Democratic Consolidation | | | | Current Government | | |
|---|---|---|---|---|---|---|---|
| | Election Inaugurating Democracy | Unscheduled Head-of-State Changes | Political Rights[1] | Civil Liberties[2] | President / PM | Term | Control of Legislature |
| **NAFTA REGION** | | | | | | | |
| Mexico | 2000 | | 2 | 3↓ | Calderón | 2006-2012 | Government |
| **DR-CAFTA REGION** | | | | | | | |
| Dominican Republic | 1963 | 1 | 2 | 2 | Fernandez | 2004-2008 | Government |
| Costa Rica | 1949 | | 1 | 1 | Arias | 2006-2010 | Opposition |
| El Salvador | 1984 | | 2 | 3 | Saca | 2004-2009 | Govt. Coalition |
| Guatemala | 1985 [3] | 1 | 3↑ | 4 | Berger | 2004-2008 | Govt. Coalition |
| Honduras | 1982 | | 3 | 3 | Zelaya | 2005-2009 | Opposition |
| Nicaragua | 1984 | | 3 | 3 | Ortega | 2007-2011 | Divided Opp. |
| Panama | 1994 | | 1 | 2 | Torrijos | 2004-2009 | Government |
| **ANDEAN SOUTH AMERICA** | | | | | | | |
| Bolivia | 1980 [3] | 7 | 3 | 3 | Morales | 2006-2010 | Govt. Coalition |
| Colombia | 1958 | | 3 | 3 | Uribe | 2006-2010 | Government |
| Ecuador | 1978 [3] | 8 | 3 | 3 | Correa | 2007-2010 | Opposition |
| Peru | 1980 [3] | 1 | 2 | 3 | Garcia | 2006-2010 | Opposition |
| Venezuela | 1958 | 6 | 4 | 4 | Chávez | 2001-2007 | Government |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | |
| Argentina | 1983 [3] | 4 | 2 | 2 | Kirchner | 2003-2007 | Government |
| Brazil | 1989 | | 2 | 2 | Lula da Silva | 2006'2010 | Govt. Coalition |
| Chile | 1989 | | 1 | 1 | Bachelet | 2006-2010 | 2 Houses Split |
| Paraguay | 1993 | | 3 | 3 | Duarte | 2003-2008 | Opposition |
| Uruguay | 1985 | | 1 | 1 | Vázquez | 2005-2010 | Government |

**SOURCE**: Freedom House. *Freedom in the World 2007*. <www.freedomhouse.org/>

[1] Freedom House definition: Those rights that enable people to participate freely in the political process. On this scale 1 represents the most free and 7 the least free.

[2] Freedom House definition: Freedoms to develop views, institutions and personal autonomy apart from the state. On this scale 1 represents the most free and 7 the least free.

[3] Interrupted democracies

↑↓ Up or down indicate, respectively, an improvement or a worsening of the political environment from 2006.

Table 12

# FISCAL DEFICIT/SURPLUS, 1997-2006[1]

(Percentage of GDP)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [2] |
|---|---|---|---|---|---|---|---|---|---|---|
| **NAFTA REGION** | | | | | | | | | | |
| Mexico | -1.1 | -1.4 | -1.6 | -1.3 | -0.7 | -1.8 | -1.1 | -1.0 | -0.8 | 0.3 |
| **DR-CAFTA REGION** | | | | | | | | | | |
| Dominican Republic | -1.6 | -1.0 | -1.8 | -2.1 | -2.4 | -2.7 | -5.2 | -4.0 | -0.7 | -1.0 |
| Costa Rica | -2.9 | -2.5 | -2.2 | -3.0 | -2.9 | -4.3 | -2.9 | -2.7 | -2.1 | -2.4 |
| El Salvador | -1.1 | -2.0 | -2.1 | -2.3 | -3.6 | -3.1 | -2.7 | -1.1 | -1.0 | -0.4 |
| Guatemala | -0.8 | -2.2 | -2.8 | -1.8 | -1.9 | -1.0 | -2.3 | -1.0 | -1.5 | -1.5 |
| Honduras | -2.5 | -1.1 | -3.6 | -4.9 | -5.3 | -4.8 | -5.6 | -3.1 | -2.6 | -1.0 |
| Nicaragua | -0.8 | -1.1 | -3.3 | -4.8 | -7.3 | -2.5 | -2.8 | -2.2 | -1.8 | -1.6 |
| Panama | -0.3 | -4.2 | -2.0 | -1.1 | -1.7 | -1.9 | -3.8 | -5.4 | -3.9 | -2.9 |
| **ANDEAN SOUTH AMERICA** | | | | | | | | | | |
| Bolivia | -3.0 | -3.3 | -3.6 | -4.6 | -7.0 | -8.0 | -7.1 | -5.4 | -3.5 | 4.1 |
| Colombia | -3.7 | -4.8 | -6.1 | -5.4 | -5.3 | -4.9 | -4.7 | -4.3 | -4.8 | -5.3 |
| Ecuador | -1.2 | -4.1 | -2.9 | 0.1 | -1.0 | -0.7 | -0.4 | -1.0 | -0.5 | 0.6 |
| Peru | -0.8 | -1.1 | -3.1 | -2.8 | -2.8 | -2.1 | -1.7 | -1.3 | -0.7 | 0.3 |
| Venezuela | 2.0 | -4.0 | -1.7 | -1.7 | -4.4 | -4.0 | -4.4 | -1.9 | 1.7 | 1.0 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | | | | | |
| Argentina | -1.4 | -1.8 | 3.1 | -2.1 | -4.0 | -0.6 | 0.2 | 2.0 | 0.4 | 1.0 |
| Brazil | -2.6 | -5.4 | -6.8 | -3.1 | -3.7 | -6.4 | -2.5 | -1.3 | -3.5 | -4.0 |
| Chile | 2.0 | 0.4 | -2.1 | -0.6 | -0.5 | -1.2 | -0.4 | 2.1 | 4.7 | 7.6 |
| Paraguay | -1.6 | -1.1 | -3.8 | -4.6 | -1.2 | -3.2 | -0.4 | 1.6 | 0.8 | 0.8 |
| Uruguay | -1.6 | -1.2 | -3.9 | -3.5 | -4.5 | -4.9 | -4.6 | -2.5 | -1.6 | -1.8 |
| **LATIN AMERICA AND CARIBBEAN** | -1.2 | -2.3 | -3.1 | -2.7 | -3.3 | -3.2 | -2.9 | -1.9 | -1.2 | -0.3 |

**SOURCE:** *ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean 2006*

[1] Reflects deficits or surpluses of either National Administration, Central Administration, or Central Government

[2] Preliminary estimates for Year 2006 from ECLAC.

Table 13

# LEGAL ENVIRONMENT, 2007

| | Rule of Law[1] | Corruption Perception[2] | | Economic Freedom[3] | | Crime Victimization[4] |
|---|---|---|---|---|---|---|
| | Percentile Rank | Index | Rank | Index | Rank | % Yes |
| **NAFTA REGION** | | | | | | |
| Mexico | 39.6 | 3.3 ↓ | 70 | 65.8 | 49 | 75.7 |
| **DR-CAFTA REGION** | | | | | | |
| Dominican Republic | 33.3 | 2.8 ↓ | 99 | 56.7 | 100 | ** |
| Costa Rica | 65.7 | 4.1 ↓ | 55 | 65.1 | 51 | 35.7 |
| El Salvador | 44.0 | 4.0 ↓ | 57 | 70.3 | 29 | 34.2 |
| Guatemala | 14.5 | 2.6 ↑ | 111 | 61.2 | 68 | 41.5 |
| Honduras | 27.5 | 2.5 ↓ | 121 | 60.3 | 76 | 34.2 |
| Nicaragua | 32.9 | 2.6 | 111 | 62.7 | 61 | 34.6 |
| Panama | 51.2 | 3.1 ↓ | 84 | 65.9 | 47 | 28.7 |
| **ANDEAN SOUTH AMERICA** | | | | | | |
| Bolivia | 27.1 | 2.7 ↑ | 105 | 55.0 | 112 | 33.8 |
| Colombia | 32.4 | 3.9 ↓ | 59 | 60.5 | 73 | 37.4 |
| Ecuador | 22.7 | 2.3 ↓ | 138 | 55.3 | 108 | 40.4 |
| Peru | 28.5 | 3.3 ↓ | 70 | 62.1 | 63 | 37.8 |
| Venezuela | 9.2 | 2.3 | 138 | 47.7 | 144 | 44.2 |
| **BRAZIL AND SOUTHERN CONE** | | | | | | |
| Argentina | 36.2 | 2.9 ↑ | 93 | 57.5 | 95 | 47.1 |
| Brazil | 43.0 | 3.3 ↓ | 70 | 60.9 | 70 | 35.6 |
| Chile | 87.4 | 7.3 | 20 | 78.3 | 11 | 36 |
| Paraguay | 16.4 | 2.6 ↑ | 111 | 56.8 | 99 | 46 |
| Uruguay | 61.8 | 6.4 ↑ | 28 | 69.3 | 33 | 27.7 |

1: As measured by the World Bank's Governance Indicators: 1996-2005 <www.worldbank.org>. The percentages measure the extent to which agents have confidence in and abide by the rules of society, including perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts.

2: As measured by Transparency International, Corruption Perceptions Index 2006 <www.transparency.org>. Focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain. The country ranks measure the corruption level in 159 countries as perceived by business people, risk analysts, investigative journalists and the general public. The index scores range from 10 (country perceived as virtually corruption-free) to almost 0 (country perceived as almost

↑↓ Up or down indicate, respectively, an improvement or a worsening of the environment from 2005.

3: As measured by the Heritage Foundation's 2007 Index of Economic Freedom. Countries are ranked in order of economic freedom.

4: As measured by Latinobarometro 2002. "Have you, or someone in your family, been assaulted, attacked, or been the victim of a crime in the past 12 months?" Those who responsed "Don't know" or did not provide an answer were excluded from the results.

Table 14

# LEGAL ENVIRONMENT, 2007

| | Days Required to[1] | | | | Paying taxes[2] | | | Intellectual Property[3] |
|---|---|---|---|---|---|---|---|---|
| | Start a Business$_a$ | Register Property$_b$ | Enforce Contracts$_c$ | Trade Across Borders$_d$ | Number of Payments$_a$ | Hours Required$_b$ | Tax Rate (% Profit)$_c$ | Estimated Trade Losses due to Copyright Piracy in Millions USD |
| NAFTA REGION | | | | | | | | |
| Mexico | 27↑ | 74 | 415 | 17 | 49 | 552↓ | 37.1↑ | 1005.6↑ |
| CAFTA-DR | | | | | | | | |
| Dominican Republic | 73↑ | 107 | 460↑ | 17 | 87 | 178↓ | 67.9↑ | 29.9↓ |
| Costa Rica | 77 | 21 | 615 | 36 | 41 | 402 | 83 | 27.1↑ |
| El Salvador | 26↑ | 33↑ | 626 | 22 | 66 | 224 | 27.4 | 17.8↓ (2001) |
| Guatemala | 30 | 37↑ | 1459 | 20 | 50 | 294 | 40.9 | 23.8↓ (2002) |
| Honduras | 44↑ | 36 | 480 | 28 | 48 | 424 | 51.4 | ** |
| Nicaragua | 39 | 124 | 486 | 36↑ | 64 | 240 | 66.4 | ** |
| Panama | 19 | 44 | 686 | 16 | 59 | 560 | 52.4 | ** |
| ANDEAN SOUTH AMERICA | | | | | | | | |
| Bolivia | 50 | 92 | 591 | 26 | 41 | 1080 | 80.3 | 21.8↑ (2005) |
| Colombia | 44↓ | 23 | 1346 | 34 | 68 | 456 | 82.8 | 116.5↑ |
| Ecuador | 65↑ | 20↑ | 498 | 20 | 8 | 600 | 34.9 | 51↓ |
| Peru | 72↑ | 33 | 300↑ | 24 | 53 | 424 | 40.8↑ | 80.5↑ |
| Venezuela | 141↓ | 47↓ | 435 | 32↑ | 68 | 864 | 51.9↑ | 174.6↓ |
| BRAZIL AND SOUTHERN CONE | | | | | | | | |
| Argentina | 32 | 44 | 520 | 16 | 34 | 615↓ | 116.8 | 301↑ |
| Brazil | 152 | 47 | 616 | 18 | 23 | 2600 | 71.7 | 850.8↑ |
| Chile | 27 | 31 | 480 | 20 | 10 | 432 | 26.3 | 95.6↓ |
| Paraguay | 74 | 46↑ | 478 | 34 | 33 | 328 | 43.2↑ | 135↑ |
| Uruguay | 43↑ | 66 | 655 | 22 | 41 | 300 | 27.6 | 10.1↑ (2002) |

1: As measured by the World Bank Group's report "Doing Business in 2007: Removing Obstacles to Growth." a) Average time in calendar days spent registering a firm. b) Average time in calendar days spent completing the procedures to register property. c) Average time in calendar days from the moment a plaintiff files a lawsuit in court until the moment of payment. d) Average time in calendar days necessary to comply with all procedures required to export goods.

↑↓ Up or down indicate, respectively, an improvement or a worsening of the environment from 2006. The absence of an arrow indicates "no change" from the previous year.

2: As measured by the World Bank Group's report "Doing Business in 2007: Removing Obstacles to Growth" a) total number of tax payments per year b) time it takes to prepare, file and pay (or withhold) the corporate income tax, the value added tax and social security contributions c) total amount of taxes and mandatory contributions payable by the business.

3: As measured by the International Intellectual Property Alliance 2007 Country Reports. Estimates are based on 2006 losses due to copyright piracy in millions of USD unless year is otherwise noted. Industries included in estimates include; sound recordings and musical compositions, business software, entertainment software, motion pictures and books.

## SELECTED SOURCES MONITORED FOR *2007 LABER*

**Print**

*The Economist*
*Latin America Monitor*
*LatinFinance*
*Latin Trade*
*Wall Street Journal*

**On-line**

*BBC Mundo.com*
http://news.bbc.co.uk/hi/spanish/news/
*Brazil Focus: Weekly Report*
Subscriptions available at fleischer@aol.com.br
Council on Hemispheric Affairs Report
http://www.coha.org/
Latin American Newspapers accessible through Latin American Network Information Center at http://www1.lanic.utexas.edu/la/region/news/
*Latin America Advisor: The Interactive Forum for the Region's Leaders*
Subscriptions available to mailto:freetrial@thedialogue.org
Manchester Trade – Export Performance & Trade Relations
www.ManchesterTrade.com
*Miami Herald*
www.herald.com
*New York Times*
www.nytimes.com

**Primary Data Sources**

International Monetary Fund
http://www.imf.org/
Organization of American States Foreign Trade Information System
http://www.sice.oas.org/
U.N. Economic Commission for Latin America and the Caribbean
http://www.cepal.org/default.asp?idioma=IN

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