US Urges Brazil and LatAm to Do Away with Cumbersome Red Tape

Contributed by Newsroom
Wednesday, 05 April 2006

Presidential elections in seven Latin American countries this year have investors jittery over prospects that new leaders might undermine the region's economic gains, leading international bankers said Tuesday in Belo Horizonte, the capital of Minas Gerais state, in Brazil.

There are political, market and economic concerns with the upcoming elections," said William R. Rhodes, president and chief executive officer of Citigroup Inc.'s Citibank NA banking unit, to reporters at the Inter-American Development Bank's annual meeting.

Rhodes and Roberto Setúbal, chairman of Brazil's Banco Itaú SA, said most governments in the region have adopted prudent fiscal policies, allowing economies to flourish amid an overall political tilt to the left.

But they said investors should be cautious ahead of elections this year in Brazil, Colombia, Ecuador, Mexico, Nicaragua, Peru and Venezuela.

While most presidential candidates appear to support orthodox monetary policies aimed at slow, sustainable growth and lower inflation, changes in fiscal policy could send investors fleeing to safer markets, Rhodes and Setúbal said.

Investors have poured money into Latin American markets over the last several years because of the region's newfound economic stability. But the political uncertainty of the elections makes this year's outlook less certain.

Rising interest rates in the United States and Europe also might lure away investors who had sought higher rates in emerging markets. Rhodes and Setúbal said small investors who have been seeking big gains in Latin American markets should be careful to keep their portfolios diversified to reduce their risk.

In sessions focusing on individual economies, Colombian and Uruguayan officials reported their nations are seeing solid growth with low rates of inflation and unemployment.

Colombia "is seeing a clear recovery" from a 2000-2003 recession, said Finance Minister Alberto Carrasquilla. "The growth is quite robust." He predicted the country's economy will expand at least 4.5% this year.

Uruguayan Finance Minister Danilo Astori said his country is experiencing an export boom after a financial crisis from 2001 to 2003 that was largely a spillover from troubles in its much larger neighbors, Argentina and Brazil. Uruguay is on track to grow 5% this year, Astori said.

Delegates at the IDB meeting are discussing how to improve the region's crumbling infrastructure, boost economies, promote regional integration and improve living standards in a region where governments have largely failed to eliminate a deep economic divide between rich and poor.

The U.S. delegate to the forum said governments must find ways to eliminate cumbersome tax and regulatory barriers, enforce property rights and increase financing so small and large businesses can expand and create jobs.

"We must not forget that it takes more days to start a business in Latin America than in any other region of the world except sub-Saharan Africa, and more days to enforce a contract than any other region," said Clay Lowery, the U.S. Treasurer’s assistant secretary for international affairs.

Mercopress - www.mercopress.com