Preface

Latin America represents one of the major “collective economies” in the world. A region comprised of 34 states, which includes those in the Caribbean, Latin America is sometimes referred to as a “region separated by a common language” (generally Spanish). With a total population of approximately 590 million and a land mass equal to just under 13% of the Earth’s total surface, Latin America and the Caribbean represent a combined Gross Domestic Product (GDP) of over US$6 trillion at Purchasing Power Parity (PPP). According to the World Investment Report of 2013 from the United Nations Conference on Trade And Development (UNCTAD), Latin America and the Caribbean had Foreign Direct Investment (FDI) inflows of US$244 billion and FDI outflows of US$103 billion in 2012. Therefore, the region represents a solid business opportunity for foreign investors marketing a wide range of products and services to the rapidly expanding middle class.

Beyond the economics of the region, Latin America is home to some of the most beautiful places on our planet. From the beaches and biodiversity of Brazil, Colombia, Costa Rica, El Salvador, Mexico, Nicaragua, and the Caribbean nations to the mountains of the Chilean Andes and the Pampas of Argentina, this growing region continues to provide awe-inspiring beauty for all those willing to venture out into the unknown. This aspect of life in Latin America should not be underestimated or ignored.

What the reader will see in the following pages is a collection of research and discourse on a wide variety of topics:

- Technology adoption in economic development.
- Consumer research.
- Latin American management practices.
- Tax evasion and bribery.
- Foreign Direct Investment (FDI).
- Innovation.
- Business ethics.
- Internationalization of multilatina firms.
- Clothing assembly industry.
- Macroeconomic policy in Cuba.
- Brazilian securities reform.
- Chinese investment in Latin America.

Chapter 1 consists of significant empirical research on Information Communication Technology (ICT) diffusion patterns in Latin American countries to see if there is any quantitative relationship between ICTs adoption dynamics and economic growth and development. The chapter also estimates to what extent ICTs contribute to economic growth and development.
Chapter 2 seeks to explain the common features of the ideologies and practices of management in Latin America. Using an institutional approach, the authors show that specific historical, social, and economic conditions have shaped a certain way of management unique to the region. Latin America’s colonial heritage and its contemporary institutions have led to a hybrid managerial ideology that defines how firms interact with their local and global environments.

Chapter 3 discusses technology-intensive suppliers as a key element for structural change in Latin America. Empirical evidence suggests the development of Technology-Intensive Suppliers (TIS) has played an important role in the industrialization process of the Nordic Countries, Canada, and Australia. The development of local TIS may contribute to both reinforcing the industrial base and supporting structural change in developing countries such as those located in Latin America. Therefore, it may provide a way to advance from natural resource dependence towards knowledge-based industrial activities.

Chapter 4 investigates the role of Brazil in the global economy. When considered from a business perspective, Brazil surfaces as one of the four most promising global economies, along with the other BRIC nations of Russia, India, and China, but how much of this vibrant economic picture is true? This chapter examines this nation from a less frequently presented, vulnerable image of this gigantic country. Brazil’s relationships with multinationals and with trading partners will be reviewed against the backdrop of its lacking growth in national standard of living and its poor primary education system. Brazil will be reviewed as the home of impressive industries, its ongoing technological dependency on other nations, and its performance as a supplier of natural resources to many industrial powers.

Chapter 5 covers attitudes toward tax evasion in Latin American countries. The purpose of this study is to reveal the tax structures of Latin America countries and to examine tax morale as an important determinant in shaping the attitude of taxpayers in Latin America. This study shows the most important component of tax revenues in Latin America countries constitutes consumption taxes instead of income taxes, in contrast to developed regions such as those in OECD countries. This shows the tax structure in Latin America countries reflects the typical tax structure in developing countries. Moreover, the study shows tax morale is associated with financial indicators (satisfaction with income, the present economic situation, income distribution, and the functioning of the market economy), policy indicators (satisfaction with democracy, confidence with government), and demographic indicators (age, education).

Chapter 6 provides a theoretical model regarding integration and foreign investment in Latin America. Globalization, viewed as an economic rapprochement mainly through strengthening trade relations, is an inevitable and progressive process. This integration process has produced specific mechanisms and instruments to implement this initiative: trade agreements, customs unions, and economic unions are just some of the ways by which this integration takes place. As a result of international cooperation and competition, these instruments and mechanisms are specified according to the particular relationship among members in a particular agreement. This chapter provides a number of hypotheses supported by an econometric model for the reader to assess regarding this region of the world.

Chapter 7 examines the Caribbean Community and Common Market (CARICOM), a cluster of 15 countries and islands in the Caribbean region that invest ongoing efforts to establish growth and increased well-being. CARICOM is facing its share of challenges of which two important ones include: a) economic relations and b) education. With their common history as former European colonies, the Caribbean nations have traditionally focused on the USA, Canada, and Europe as their main partners. Now that the global tide is turning, it becomes increasingly important for them to change course. China, as the major global player of our times, is therefore a potential partner that Caribbean nations increasingly embrace.
Even so, the challenges of their small scale and their lack of trade complementarity remain dark clouds on the Caribbean horizon. In addition, the education systems in many of the member nations need urgent and radical reinvention. This chapter sheds some light on these issues.

Chapter 8 is a case study based on original research of the pork industry in Antioquia, Colombia. This chapter inquires about several factors involved in the innovation and technological change of that industry in Antioquia. The managerial assumption is simple: free trade and strategic moves of the biggest competitors indicate that Small- and Medium-Sized Enterprises (SMEs) in the pork industry must accelerate their technological change via innovation management by addressing different factors hindering the establishment of competitive advantages. The authors offer a possible path of action from a management perspective to support that the industry will head to the formation of an oligopoly should innovation management not occur.

Chapter 9 provides a conceptual model of business ethics in terms of governance, processes, and stakeholders. Various models of ethical decision-making processes, including Bandura’s social cognitive theory, are reviewed, as well as models of ethical behavior and the influence of Hofstede cultural dimensions, religion, the Internet, and social media. Various measures of business ethics including the Business Ethics Index, the Corruption Perception Index, the Freedom from Corruption Index, and the Economic Freedom Index for Latin American countries are reviewed.

Chapter 10 sheds light on the roles and challenges of consumer research in the dynamic economic and social environment of Latin America. It is well established that much of the economic growth in Latin America in the last decade has been driven by the tapping of its vast natural resources. However, the interest of international marketers and investors is better understood in light of the expectations that consumption, more so than resource extraction, will propel this region’s development in the years to come. Though increased effort is being made to study the Latin American consumer, there is very little academic discussion on the challenges and caveats associated with conducting consumer research in this region. There is also room for greater information sharing by research practitioners and executives operating in this marketplace, and this chapter attempts to address these issues.

Chapter 11 focuses on Entrepreneurs’ Responses to Illegitimate Institutional Pressures in Monterrey, Mexico. The mass media can play an important role in capturing the dynamic between social groups and the institutional environment. To investigate entrepreneurs’ responses to the impact of organized crime and violence on Small- and Medium-Sized Enterprises (SMEs) in Monterrey, Mexico, a deductive Content Discourse Analysis (CDA) was developed. The sample was constructed by integrating international newspapers available in the database FACTIVA and Mexican newspapers from 2006 to 2012. The results made it possible to observe the dynamic between informal and formal institutions in the emergence of adaptation of SMEs’ business model. The adaptations observed tend to respond to the change in the behavior of social groups in Monterrey, Mexico, as a consequence of organized crime and violence.

Chapter 12 covers the internationalization process of Multilatina firms in Chile. Due to the strong economic position of Chile within Latin America and the existing deficit of research, the chapter focuses on Emerging Market Multinational Enterprises (EMNEs) from Chile. The study draws upon institutional theory to analyze case studies on the internationalization process of 19 Chilean firms with outward Foreign Direct Investments (FDI). The authors find that market-seeking FDI is the major motivation for investing abroad. With respect to the geographical scope of outward FDI, they see that Latin America is the dominating destination for outward FDI by Chilean firms. Moreover, the results show that acquisitions and joint ventures are popular when investing in developed economies, whereas both Greenfield investments and acquisitions are chosen most often when entering other emerging economies. Finally,
the authors observe that Chilean firms internationalize rather late in their life cycle (i.e., they need a long time span between foundation and the first outward FDI). However, they do not find support for the proposition that Chilean firms enter a second or third foreign market faster when the cultural distance of the market is low.

Chapter 13 discusses Chile under the very recently ended government of Sebastián Piñera. The purpose of this chapter is to present the presidency of Sebastián Piñera with an emphasis on his economic policy and development plan for Chile. The chapter begins with an analysis of the 2010 presidential elections and the profile of the latest Chilean president. The chapter also presents the economic and political history of the country since Salvador Allende’s rise to power in 1970 through the Pinochet regime and the government of Concertación por la Democracia. Furthermore, the milestone events of the presidency of Piñera are identified and their influence on the approval of the presidents is evaluated. The study conducted in this chapter was based on the analysis of books and scientific journals that dealt with the political and economic history of Chile. The current situation of the country was analyzed on the basis of academic articles as well as press releases and reports.

Chapter 14 analyses the differentiation strategies of Chinese Multinational Corporations (MNCs) in Latin American emerging economies. This requires an institutional theory approach (i.e., how the institutional environment in the domestic market shapes the strategies pursued in the host country). The premise is that there is a positive relationship between the home institutional environment and the policies followed in foreign investments. The results show that Chinese firms in Latin America are at an early stage in their international marketing and expansion strategies. These companies are leveraging their price competitiveness (based mainly on low cost manufacture at home) on the differentiation and/or market strengths of local partners with whom they have developed networks of Joint Ventures (JVs) in the region. This is also the consequence of a short international experience that has resulted in weak cross-cultural awareness. In addition, at this stage, these companies are mainly looking to have better access to the customers in the host market and as such are creating ad-hoc structures in each of the countries where they operate without a clear differentiation strategy. These findings are similar to those in previous works on Chinese MNCs in developed economies.

Chapter 15 explains the impact of the Central American Free Trade Agreement (CAFTA) on member countries. The initial intent of this trade agreement was the creation of new economic opportunities through the traditional free trade arrangements that include lowering and eliminating tariffs, opening of markets to foreign investors, reducing barriers to services, and promoting transparent practices that altogether facilitate trade and investment and further increase regional integration among the seven member countries. The agreement has a complementary policy agenda addressing local competitiveness, property rights, labor, and environmental issues.

Chapter 16 is a structurationist analysis of differing policies oriented towards the pharmaceutical industry in Turkey and Brazil. This study has two purposes closely related to each other. The first one is to analyze why countries that have similar characteristics and benefits to each other develop different strategies in terms of rules to regulate the intellectual property rights in the pharmaceutical industry. The second one is to analyze the factors that determine active participation in global governance processes with regards to the intellectual property rights of countries that are developing, specifically in the pharmaceutical industry. The study used the structurationist approach developed by John M. Hobson, and findings were tested by comparing the examples of Turkey and Brazil.
Chapter 17 examines the export performance of clothing assembly industries in the countries of Central America to the USA market. It commences with a brief summary of the history of the growth and limited evolution of the Central American and Caribbean Basin garment export industry in the face of evolving trade liberalization. It then examines how China and other Asian countries have eclipsed the region’s clothing exports to the USA as they made inroads into the latter’s market. The work is also placed within the context of the Free Trade Area of Central America and Dominican Republic (CAFTA-DR) in an attempt to discern its possible medium- to long-term impact, since specific provisions of the trade agreement aim precisely at boosting the region’s garment assembly sector.

Chapter 18 investigates the evolution of macroeconomic policies in Cuba over the past 25 years. It analyzes the changes in fiscal policy from its wild gyrations in the early 1990s to the period of stability from 1994 to 2004, and to the crisis of 2008 and its sequel. It then examines the strategy of the Central Bank of Cuba and the tension between its anti-inflationary objective and its obligation to finance a substantial part of the fiscal deficit. It also emphasizes the need for new, modern instruments of monetary control, and the need to equip the central bank to become a lender of last resort. Finally, the chapter discusses the current multiple exchange rate system, its discriminatory nature, and its harmful effects on resource allocation, equity, and the interpretation of statistics.

Chapter 19 provides an understanding of the impact of securities market reform on the economy of Brazil. The Brazilian securities market has undergone much change over the past decade. The reforms that started with the implementation of the “Plano Real” have accelerated the Brazilian market and economy exponentially, thus making the economy one of the major investment destinations. The fact that the Brazilian economy per se is a commodities-dominated economy has led the authors to probe into the various nuances related to the securities markets of Brazil. The chapter meanders through the development of the Brazilian economy and provides insight into the heart of the Brazilian economy, discussing the effect of the reforms on the economy of the country, how the same strikes the global economy, and the lessons the country can learn from the other counterparts within the BRICS (Brazil, Russia, India, Colombia, South Africa).

Chapter 20 focuses on the Chilean economy and its development based on the innovation strategies and policies applied in the country in the last 40 years. The country’s performance is compared with other countries in the region and the developed economies.

Chapter 21 provides another case study by examining the Colombian firm, Inducascos S.A. First established in 1998 in the city of Medellín, Inducascos became the market leader in the manufacturing and commercialization of helmets in the Colombian market. Its ability to deal with the unstable local market and the fierce competition resulting from the entry of imported products has positioned Inducascos as the leading brand of motorcycle helmets. For the last decade, the company’s strategy has focused on the internationalization of the manufacturing process and the updating of the commercial strategy in order to consolidate an attractive product portfolio that manages to offer differentiated products for a segmented market at competitive prices.

Chapter 22 summarizes the theoretical and empirical literature on the ethics of tax evasion and then proceeds to examine the opinions of 1,483 Brazilians on the issue using the data from the most recent World Values Survey. The study found that although Brazilians are strongly opposed to tax evasion in general their opposition is less than absolute in many cases. An examination of some demographic variables highlighted some of these cases.
Chapter 23 is connected to the immediately preceding chapter in that it summarizes the theoretical and empirical literature on attitudes toward bribery and then proceeds to examine the opinions of 1,483 Brazilians on the issue, using the data from the most recent World Values Survey. The study found that although Brazilians are strongly opposed to bribe-taking in general their opposition is less than absolute in many cases. An examination of some demographic variables highlighted some of these cases.

Chapter 24 discusses Chinese Foreign Direct Investment (FDI) in Latin America. This chapter explores its implications and tests whether Chinese FDI differs from global FDI in Latin America regarding corruption and resource intensity. It finds that Chinese FDI is more closely associated with countries that are more resource-abundant and are ranked as more corrupt. This could have negative implications for Latin American countries and their development as China expands.

I hope the following pages will provide a holistic view of this exciting region of the world. Due to time constraints, some other Latin American nations such as Argentina, Bolivia, Peru, and Venezuela could not be covered in this book, but future editions of this publication will do so. Towards that end, all suggestions are welcomed.

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