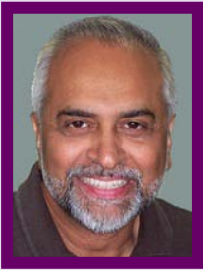


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WRITTEN BY: ASHOK DHILLON



Ashok Dhillon has 40 years of front-line business experience in Canada and International markets. He has founded and led companies in construction and international power development.

Mr. Dhillon has worked and negotiated with highest levels of Governments in Canada and India. He has pursued and won mandates to develop power plants in Canada, and foreign jurisdictions such as Hungary, Iran, Pakistan and India with uncompromising ethical standards. His extensive experience in securing and negotiating multi-hundred million and billion dollar mandates in power project development, gives him in-depth knowledge and intuitive insights into macro and micro, national and international, geo-political and economic realities and trends.

Mr. Dhillon has been invited to speak on international business at various forums, including as an expert witness for the Standing Senate Committee, Government of Canada, on "The Rise of Russia, China and India".

Latin & South American Economies, 2014 – Excerpt from Global Economy, 2014 - Looming Catastrophe



Latin and South American countries/economies have always been volatile. Their penchant for revolutions, Dictatorships, tendencies towards nationalism and socialism and resultant nationalization of foreign owned assets, crime and drug cartels, along with (*at times*) out of control inflation and currency collapses, made that entire region unique and economically dangerous.

In the past decade and a half, after the seeming global triumph of Western capitalism over communism, Latin and South America had swung towards the right with even avowed leftist leaders such as Brazil's former President Lula taking a more productive centrist economic policy stand, with verifiable positive results. But with the widening gulf between the rich and the poor, and after the 2008 crash when *Western capitalism's excesses led to a near global financial system crash and the loss of credibility in developing countries*, the politics of the region have swung again to the left, along with the return of traditional and potentially violent political volatility and instability. The current scenario in most Latin and South American economies reflects the return, to a degree, of the above summation of the region's ills.

Over the past couple of years some of the region's major centrist and right of centre economies that had been doing very well, like Mexico, Brazil, Chile, Peru and Columbia have now declined somewhat in their prospects, amid the economic weakness in the region and the overall weakness in the global economies.

Overall exports are down due to the weaker global and China demand, which is particularly reflected in demand for commodities being seriously muted. The soft commodity markets are significantly impacting mining operations and mining related investments. This lack of incoming foreign direct investment has some of the currencies under significant pressure, which in turn is fueling inflation.

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A number of decidedly left leaning countries, particularly Venezuela, Ecuador, Nicaragua, are facing increasing political turmoil with the resultant economic woes. These countries will add to the general volatility of the region and coupled with the global economic weakness, we do not see a rebound in the fortunes of these economies. The general consensus is that the Latin and South American economies, collectively will post approximately 3% growth in 2014, with the stronger economies (*politically stable and right of centre or centrist*) being around 4% and the weaker countries (*politically and economically left of centre, and volatile*) will grow at about 2% and less.

This economic region, Latin & South America including the Caribbean, is made up of 28 economies and approximately 600 million people. It is incredibly diverse and rich in natural and cultural resources, and could be an economic power house. But, historically and to a degree to the present, it has always been plagued with poor governance, corruption, exploitation, division, and at times extreme political and financial upheavals. Over the last decade or so, as noted above, the region tilted towards democracy: politically, and to the right of centre: economically, but that trend seems to have reversed, dramatically in some countries, and moderately in others. Our sense is that the region is going to underperform, and could see greater economic regression in 2014.



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Antigua and Barbuda – has a tropical climate attracting tourists, by way of the cruise ship industry which in turn has brought in investment dollars to supply the infrastructure. Antigua relies on the tourist industry while Barbuda is more underdeveloped. Such a heavy reliance on tourism industry makes it vulnerable to global downturns.

Argentina – one of South America's largest economies. It has an educated workforce and is rich in resources. The country experienced a deep recession in 2001 leaving half the population in poverty. There were record defaults and currency devaluation when IMF stepped in allowing the country to restructure its massive debt. Unemployment is still high as the people are still looking for an economic upturn.

Bahamas – a major centre for offshore banking and tourism. The Bahamas has a high per capita income, has one of the world's largest open-registry shipping fleets and a very prosperous services sector.

Barbados – known for financial services, tourism and political, economic and social stability. It has claim to an off-shore reserve of oil and natural gas. The economy took a beating after 2008 financial crisis when tourism slowed down. Some Barbadian's went abroad for work and the money they send home has become another source of income.

Belize – tourism is the main source of foreign currency. Cruise ships to Belize have increased over the last couple of decade so the services sector has seen a spike. Belize has one of the longest barrier reefs in the world with more than 200 islands. The country is struggling however with a large national debt.

Bolivia – rich in resources but poverty is rife with regional disparities in wealth distribution after a deep economic recession in 1980s causing inflation and currency crisis. Current government has tightened state control over the economy, nationalizing the energy sector and key utilities. The world's largest producers of coca, the raw material used for making cocaine.

Brazil – South America's economic giant is one of the world's largest democracies and has shown steady growth as a BRICS nation. It has off shore oil reserves, iron ore and other natural resources. The Country has shown amazing progress in reducing social and economic inequality. Brazil will be hosting the FIFA World Cup in 2014 and the 2016 Summer Olympics in Rio de Janeiro – the first time a South American city will host the Olympics and the first time a Portuguese speaking country will be hosting the event.

Chile – has one of South America's most stable and strongest economies thanks in large part to high world prices for copper. It is the largest world producer of copper.

Columbia – South America's fourth largest country is the most populous. It has oil reserves and produces gold, silver, emeralds, platinum and coal however there are still millions that live in poverty. The government has been actively rebranding the country to shake off its image as a troubled place with drugs and kidnappings.

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Costa Rica – has a diversified economy with coffee, bananas, sugar, textiles, electricity and electronic components exports together with tourism as the main source of foreign exchange. One of Central America's most affluent countries – once dubbed the "Switzerland of Central America".

Cuba – since 1961 the country has been under a US economic embargo. In 2009 Russia signed an agreement to explore Cuba's off-shore oil potential but so far it has resulted in nothing of significance. Cuba has good ties with Russia, China and Venezuela. Money sent home from Cubans living abroad plays a big part of the economy.

Dominica – is the poor cousin in the region with no major infrastructure, some tourist industry, and a tropical climate that includes hurricanes.

Dominican Republic – this Caribbean country is a major tourist destination. Economic development in the 1990s has increased national wealth and has diversified opportunities. The United States is its largest trading partner and remittances from US Dominicans accounts for about 10% of national income.

Ecuador – is the smallest OPEC member and the world's top banana exporter. It also exports coffee, shrimp and cocoa. Ecuador exports oil too but not all have benefited equality from oil revenues. There is widespread unrest, particularly in the indigenous poor as steps to stabilize the economy using austerity measures and privatization have taken place. Inflation is the highest in the region. The government has replaced the currency with US dollar in an effort to stabilize the situation.

El Salvador – is the most densely populated country in the Americas with lots of industry however corruption and inequality has the economy depending very heavily on monies being sent home from Salvadoreans living in the United States.

Grenada - Known as "Spice Island", is the world's second-largest producer of nutmeg and is a significant producer of mace, cinnamon, ginger and cloves. In 2004 Hurricane Ivan destroyed more than 90% of the island's buildings. The economy depends on tourism and resorts.

Guatemala – has widespread poverty, illiteracy, infant mortality, and is plagued with organized crime and violence. There is some export of coffee, sugar, bananas, fruits and vegetables, meat, petroleum and cardamom.

Guyana – is the only English speaking country in South America. Political troubles, ethnic tensions and economic mismanagement has left the country in economic problems. Guyanans are encouraged to emigrate as the living standards are very poor. The sugar industry has been hit hard by cuts in European sugar subsidies.

Haiti – 2012 hurricane left the very weak economy in absolute ruins. Poor infrastructure, political volatility, civil unrest and crime are the serious challenges Haiti faces. High unemployment moves Haitians to seek work in the US or elsewhere.



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Honduras – is the second largest coffee producer, and until the mid-20th century the economy was dominated by foreign-owned banana companies. The country has diversified into the textile industry. Money sent home from overseas workers is an important source of income for many families. The country has over 50% of its population that is under the age of 19 but poverty and unemployment is rampant.

Jamaica – is one of the world's most indebted nations. It produces bauxite and alumina and has a great tourism industry but it has widespread poverty and crime.

Mexico – Latin America's second largest economy was hard hit by the credit crunch in 2008 but its economy has recovered since with billions of dollars of new investment being pumped in by foreign companies. It is also a major oil producer and exporter.

Nicaragua – is the second poorest nation after Haiti. Nicaragua has some tourist industry, textile, clothing and agricultural exports. The country has a wildlife-rich rainforest, volcanoes, beaches and colonial-era architecture.

Panama – is of immense strategic importance as the Panama Canal connects the Atlantic and Pacific oceans. The canal supplies a very large amount of Panama's GDP. Off-shore banking, manufacturing and shipping registry generate jobs and revenues. The country's tourism is growing thanks in large part to the canal, natural sceneries and modern infrastructure.

Paraguay – the economy runs on agriculture, manufacturing and pharmaceuticals. Loans from IMF has assisted the country with growth rates higher than the rest of Latin America in recent years.

Peru – has a growing tourist industry thanks to its archaeological findings. There is an abundance of copper, silver, lead, zinc, oil and gold in the country and with the government providing favourable conditions for foreign investors there has been an economic boom in the 2000. In 2011, Peru was said to have one of the world's fastest growing economies. Peru is one of the world's top producers of coca, used to make cocaine, contributing over 15% of the country's GDP in 2009.

Suriname – is one of the most ethnically diverse countries in the Americas. It depends heavily on mining and processing bauxite. There is potential for tourism but it has not been developed. There is off shore oil reserves and gold reserves which has attracted some foreign investment.

St. Kitts and Nevis – the sources of income include tourism, offshore banking and the service industries. The island is mostly inhabited by the descendants of West African slaves.

St. Lucia – Tourism is the largest economic sector in this country. Bananas, mangoes and avocados are also sources of foreign exchange. There are beautiful beaches, mountains, plants and volcano with sulphur springs that attract the tourist.

St. Vincent and the Grenadines – tourism has great potential with the smaller islands being popular destinations for the rich and famous. Banana crops is the largest industry. There is a new international airport that will assist in increasing the tourism industry.



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Trinidad and Tobago – Natural gas, oil and chemicals are exported providing the islands above average per capita income in Latin America. There is a very active tourist industry too.

Uruguay – the country has beach resorts and mild climates which has led to a growing tourist industry and off-shore banking industry. There has been a dependence on livestock exports which was affected by recessions in Brazil and Argentina. IMF stepped in but the recessions left many living in poverty and an exodus for the young.

Venezuela – has some of the world's largest oil reserves, coal, iron ore, bauxite and gold. Yet most of the country lives in poverty. Unemployment is high – over 60%.

