

INVESTING IN LATIN AMERICA

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- I. Introduction – General criteria for investing in LA.
- II. Specific criteria applicable to certain LA countries.
- III. Specific considerations to structure investments in LA.

I. Introduction – General criteria when investing in LA

- Starting a business (Number of procedures/days/cost)
- Employing labor force (Difficulty of hiring/rigidity of hours/costs)
- Obtaining credit (Depth of credit information/strength of legal rights/public registry coverage)
- Registering property (Number of procedures/days/cost)

I. Introduction – General criteria when investing in LA

- Protecting investors (Extent of disclosure and director liability/strength of investor protection)
- Paying taxes (Number of payments/hours per year/labor taxes/total tax rate)
- Foreign trade (Documents/days/cost)
- Enforcing contracts (Number of procedures/days/cost)
- Other criteria (population/literacy rate / GDP / unemployment and inflation rates)

II. Specific Criteria Applicable to Certain LA countries

(2010 World Bank ranking out of 183 countries)

Criteria	ARG	BRA	CHL	COL	MEX	PER	VEN
Ease of doing business	118	129	49	37	51	56	177
Starting Business	138	126	69	74	90	112	142
Employing labor force	101	138	72	63	136	112	181
Obtaining credit	61	87	71	61	61	15	177
Registering property	115	120	42	51	99	28	97
Protecting investors	109	73	41	5	41	20	178
Paying taxes	142	150	45	115	106	87	182
Foreign trade	110	100	56	97	74	91	166
Enforcing contracts	46	100	69	152	81	114	74

II. Specific Criteria Applicable to Certain LA countries (2009 CIA World Factbook)

Criteria	ARG	BRA	CHL	COL	MEX	PER	VEN
Population (millions)	40.9	198.7	16.6	45.6	111.2	29.5	26.8
Literacy (%)	97.2	88.6	95.7	90.4	91	92.9	93
GDP growth rate (%)	6.8	5.1	3.2	2.5	1.3	9.8	4.8
GDP per capita (USD 000's)	14.2	10.2	14.9	8.8	14.2	8.5	13.5
Labor Force (millions)	16.3	93.6	7.3	21.3	45.3	10.2	12.6
Unemployment rate (%)	7.9	7.9	7.8	11.3	4	8.1	7.4
Inflation rate (%)	8.6	5.7	8.7	7	5.1	5.8	30.4

II. Specific Criteria Applicable to Certain LA countries

Criteria	ARG	BRA	CHL	COL	MEX	PER	VEN
Average Distance to USA (000's kms)	7.8	7.1	7.4	3.5	2.7	5.0	3.0
Average Distance to Europe (000's kms)	10.0	8.3	10.7	8.0	9.0	9.5	7.0
Average Distance to Asia (000's kms)	18.4	18.3	17.9	15.7	12.7	16.9	15.3
Competitiveness (ranking among 57 countries) *	55	40	25	51	46	37	57
Country Risk from 0 to 7 (OECD)	7	3	2	4	3	3	7

- * How nations and businesses are managing the totality of their competences to achieve greater prosperity (IMD Geneva)

II. Specific Criteria Applicable to Certain LA countries

Advantages of investing in LA :

- Total potential market: 469.3 million
- Total work force of: 206.6 million
- Common cultural background and language (except Brazil regarding the language)
- Managed inflation and unemployment rates (except Venezuela)
- Double tax and protection of investments treaty networks increasing

II. Specific Criteria Applicable to Certain LA countries

Potential Disadvantages of investing in LA :

- Location of certain countries with respect to rest of the world
- Lack of competitiveness (except few countries)
- Moderate to high country risk classification (based on a combination of economic and political stability)
- Language (low level of bilinguals)
- Low income per capita

II. Specific Considerations to Structure Investments in LA

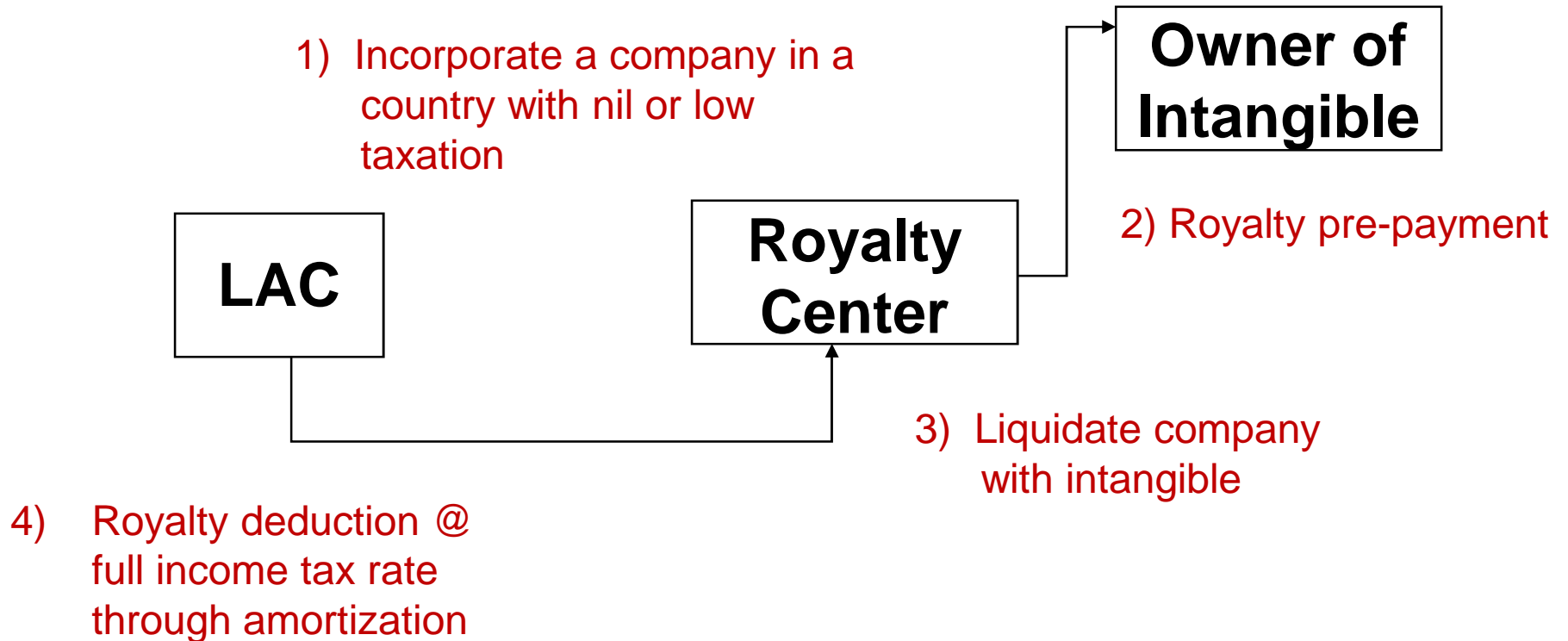
- Location of investor
- Location of investee
- Type of investment
- Internal tax rules of investee
- Tax and protection of investments treaties of investee
- Anti-avoidance rules of investee
- Exchange control and foreign investment rules
- Liquidation of investment

II. Specific Considerations to Structure Investments in LA (with the collaboration of Chevez, Ruiz, Zamarripa, Mexico)

Potential Structures

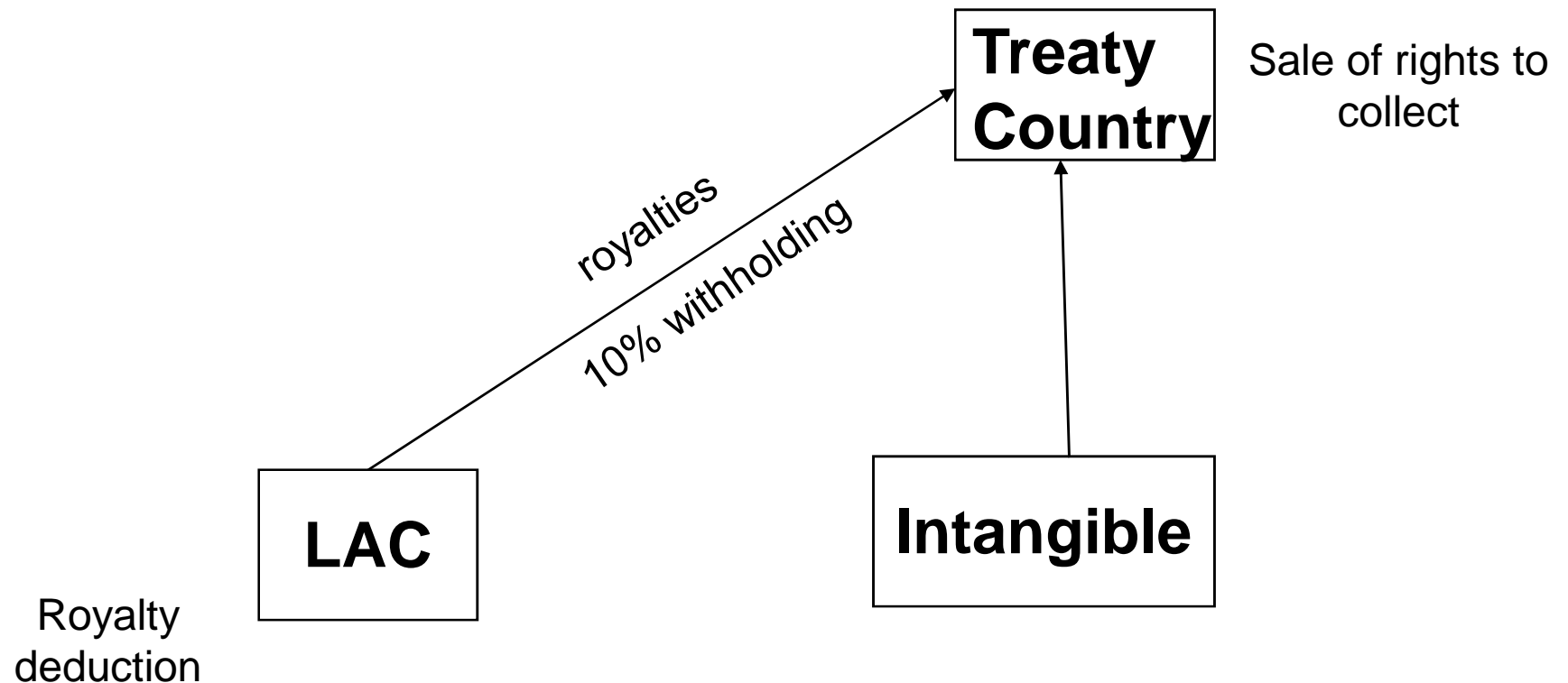
- Migration of intangibles (Royalty Centers)
- Captive reinsurance companies
- Synthetic debts
- Sales and distribution centers

II. Specific Considerations to Structure Investments in LA – Migration Intangibles

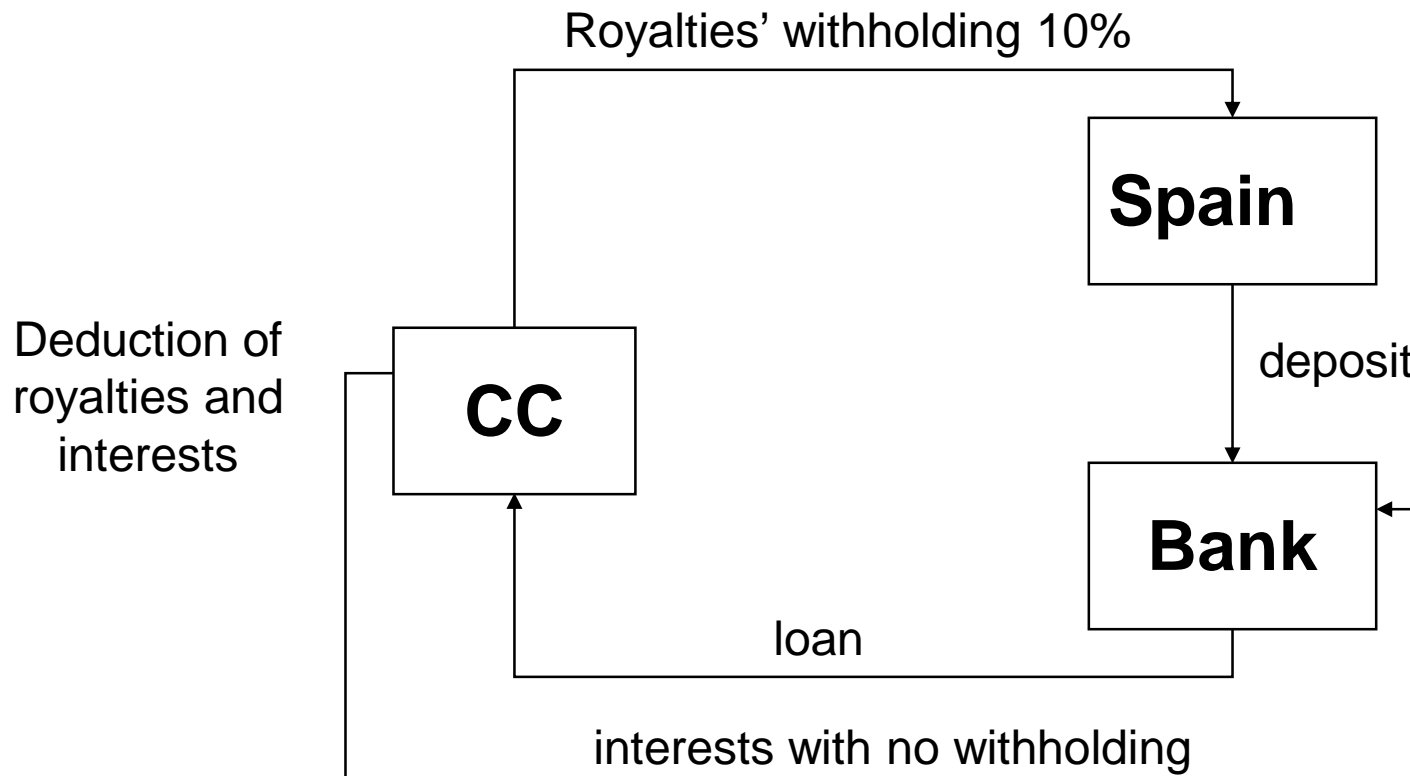


II. Specific Considerations to Structure Investments in LA – Migration Intangibles

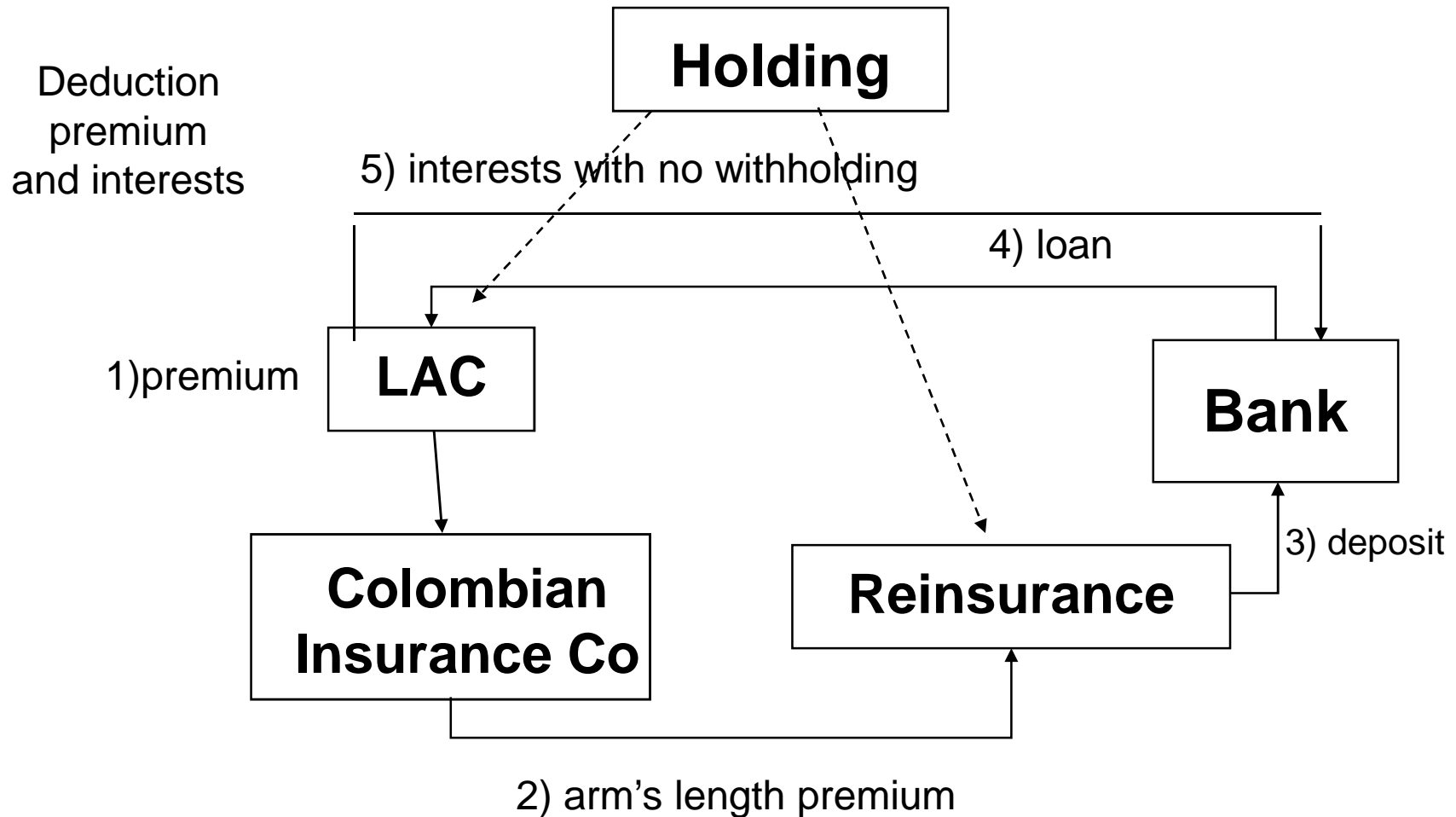
- Sale of rights to collect



II. Specific Considerations to Structure Investments in LA – Migration Intangibles

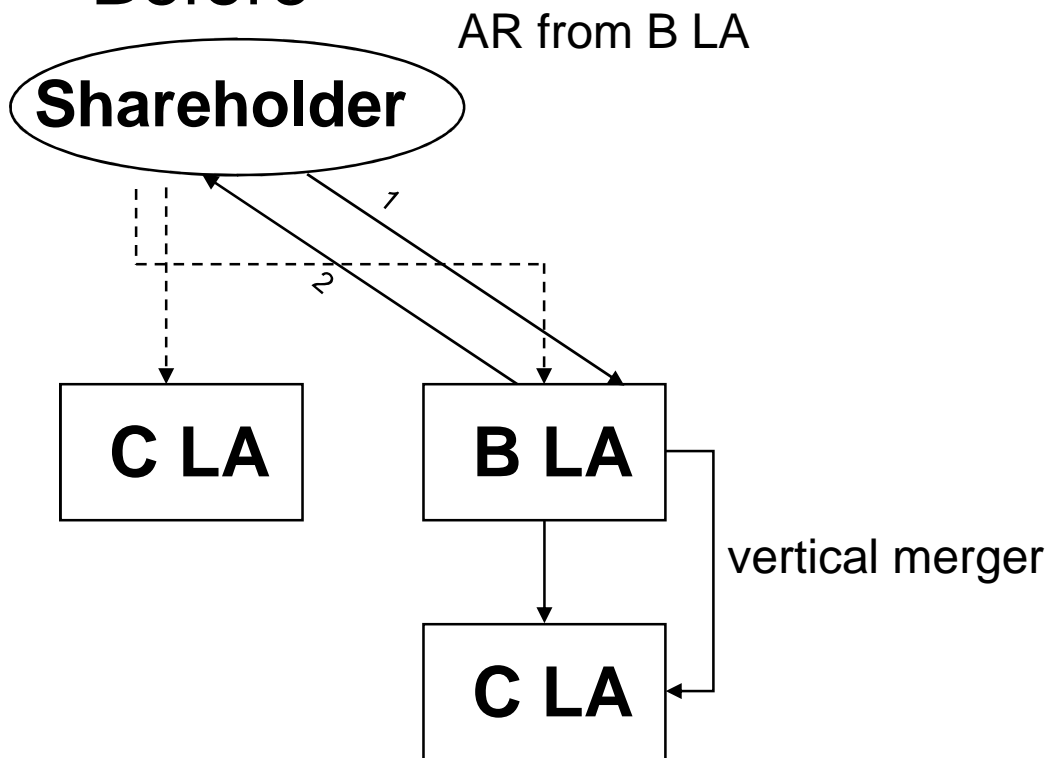


II. Specific Considerations to Structure Investments in LA – Captive Reinsurance



II. Specific Considerations to Structure Investments in LA – Synthetic Debt

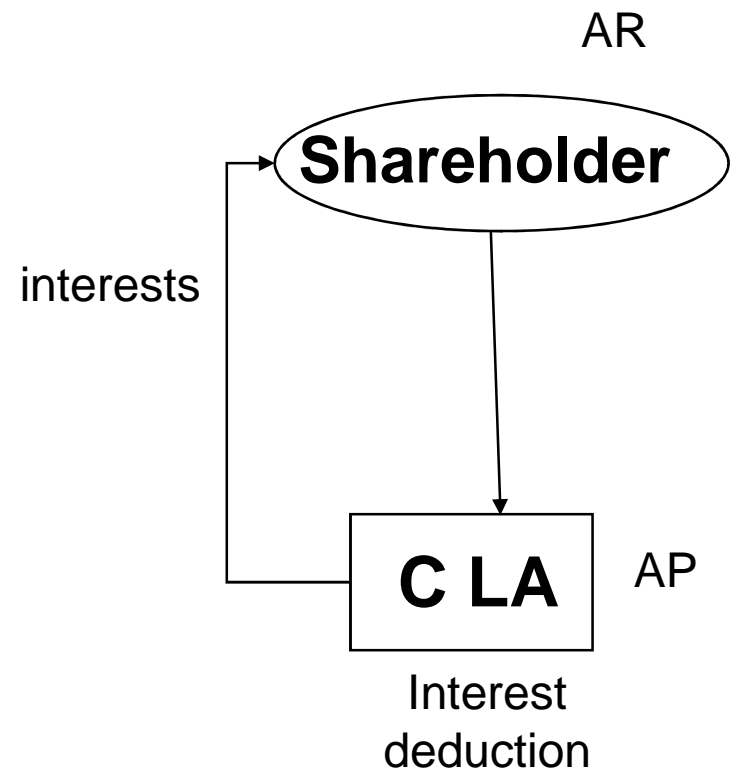
- Before



1) Stock sale C LA

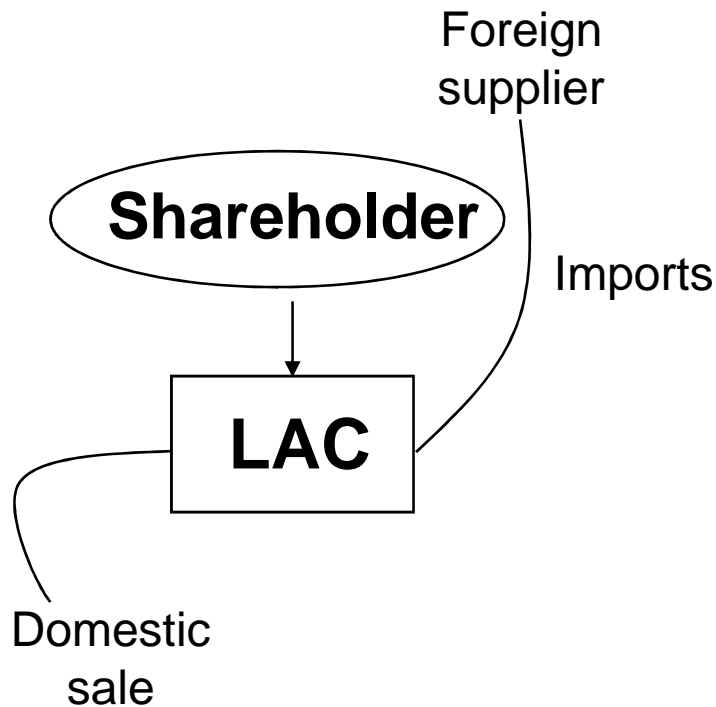
2) Account payable

- After

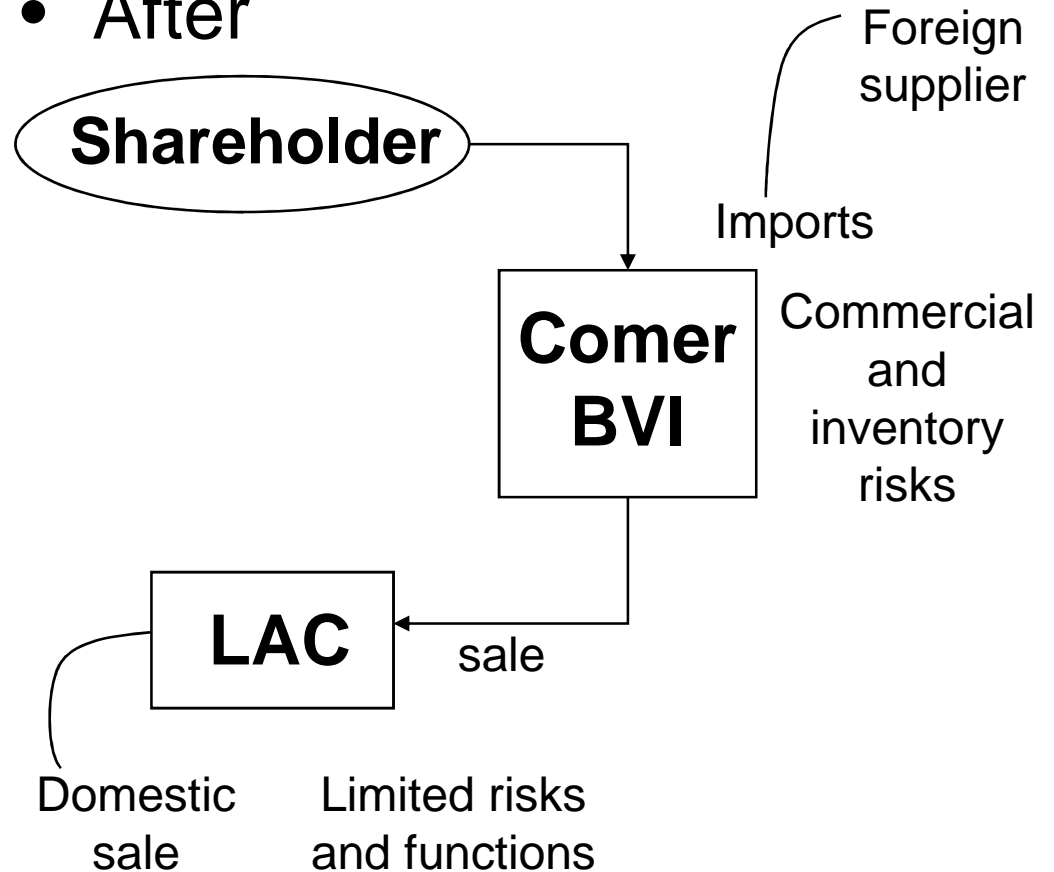


II. Specific Considerations to Structure Investments in LA – Sales and Distribution

- Before

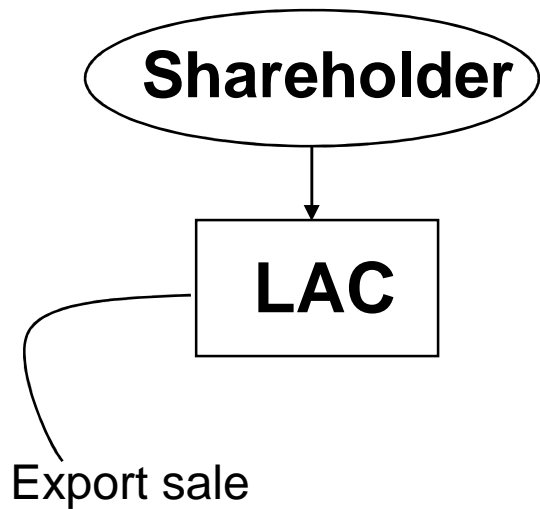


- After

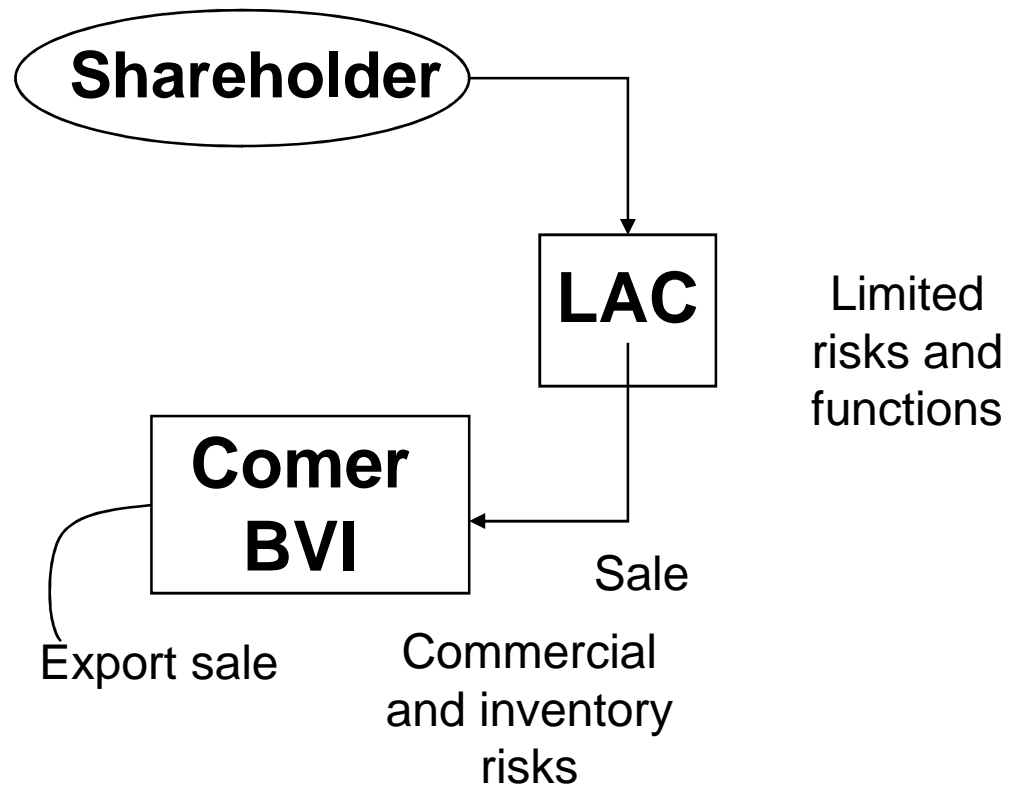


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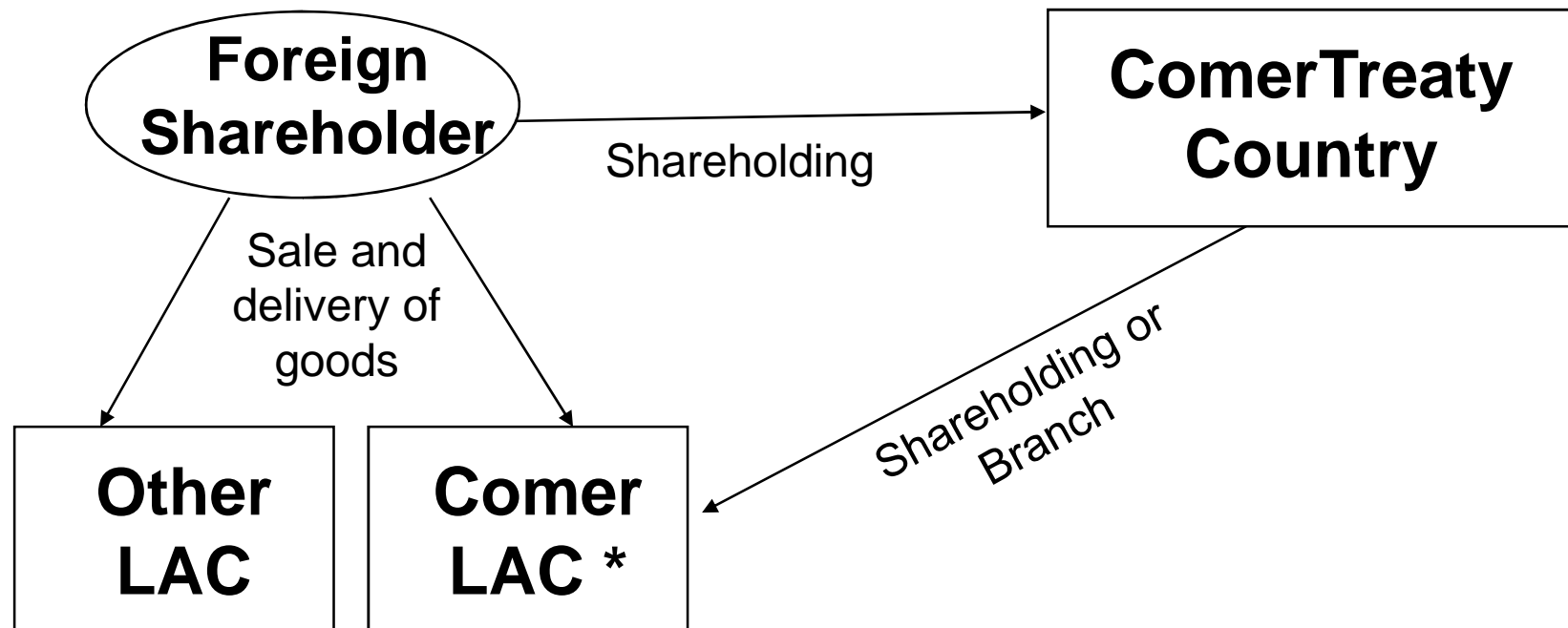
- Before



- After



II. Specific Considerations to Structure Investments in LA – Sales and Distribution



* Only local source
income taxation



CAÑÓN & CAÑÓN
ASESORES TRIBUTARIOS
ABOGADOS - CONTADORES

THANK YOU