Take home question financial markets of latin american

What tastes good to a goat will ruin his belly or How the Latin American markets may be affected by the recent financial markets turmoil Although is still early to say whether the recent financial market crisis may affect or not the emerging markets -and particularly the Latin American ones -, it could be said that they are going probably be less affected than those more mature markets as the USA or the EU.

On principle, common sense and previous experiences (let's remember the October 19th of 1987 crisis, when the Dow Jones suffered its worst fallen in peaceful times, going down in a 22% and tainting the European and Japanese Stock markets; or when the disaster came in 1988 due to the storm in the Asian financial markets originated an unexpected non payment over the Russian debt1) pointed at South American Countries as ones of the most probable to be infected by the recent financial market turmoil.

However, they -as well as other emerging markets as China or Eastern Europe- appear to be overcoming this crisis much better than more mature markets as USA or the European Union. Some analysts explain that this fact is due to these countries costume and tradition of facing continuous tensions and crisis, situation that have led them to develop " overcoming mechanisms" 2. According to Manuel Romera, the Latin-American countries have few to fear from this situation, since they are " those countries that are the most used to difficult and tension moments, being so the most prepared to overcome the crisis".

I coincide with this hypothesis because, to my mind, if during the coming decades these countries are able to achieve solid organisational models to simultaneously stimulate innovation and efficiency, it would be seen how theses economies experiment unknown levels of development. It should be beard in mind that Latin-American economies are rich in natural resources and primary materials (resources more and more precious in such a shortage world, characterised by a frantic economic growth).

Nevertheless, and once the risk of contagion is being avoided, let's remark some other facts that condition the South American markets. One of them is the increasing presence of China in these economies, mainly in Brazil, Venezuela and Mexico. Despite this being there does not upset the traditional investors in the region (mainly Spanish and North American) as they focus mainly on textile and extractive trades, it should be taken into account the ongoing economic and political opening of China and its potential derivations.

Secondly, it is highly interesting to observe the current regional integration processes and the interest they are raising world wide. This aspect, added to the positive economic juncture that plays Latin America since 2004 - situation to be maintained in the future, according to all the indicators- are really appealing reasons to the investors looking for different markets to diversify their interests3.

To conclude, I just would like to highlight that 2what tastes good to a goat will ruin his belly" and even when South American countries do not come into view as potential focus for the financial turn down, let's do not forget other risks, proper of these countries, such as the political unbalance, their legal uncertainty or inherited problems as inflation and institutional corruption.