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FEATURED Q&A

Is Online Commerce Clicking in Latin American Countries?

Q E-commerce in Latin America could grow by more than 50 percent over the next three years, the president of the Instituto Latinoamericano de la Comunicación Educativa, Marcos Pueyrredon, said in a recent interview with *Business News Americas*. He added that Internet access is no longer a significant impediment, but buyers are still adapting to the cultural change of trusting online sellers. What is the short- to medium-term future of e-commerce in Latin America? Are consumers' attitudes toward trusting online sellers changing or is that likely to continue being an obstacle? In which countries is e-commerce most successful? How should online sellers adapt to the Latin American market?

A Carlos Jiménez, president of *TendenciasDigitales.com* in Caracas: "While Internet users in Latin America have increased by 50 percent within the last three years and now exceed 200 million people, the growth of electronic transactions has been higher than 150 percent and they now equal nearly \$30 billion. E-commerce conditions were deemed as somewhat failing. Yet, it has recently become an actual option for many companies due to the higher maturity shown by technological infrastructure, and the current critical market mass becoming more and more used to digital media. In fact, 71 percent of purchasers interviewed by *Tendencias Digitales* state that they dis-

agree with the phrase 'buying over the Internet is not safe' and 69 percent say they agree with 'once you buy over the Internet you learn about its huge advantages.' According to the above, the biggest challenge for e-commerce is to overturn initial barriers (mistrust in electronic media and doubts about product delivery), but upon making just one transaction, the successful experience leads users to repurchase and become frequent buyers. E-commerce's future in Latin America is linked to developing e-payment modes able to offset the

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Former Mexican President Suggests Truce With Cartels

Former Mexican President Vicente Fox said Friday that the government should consider calling a truce with drug gangs and offering them amnesty. Fox's comments came a day after 52 people were killed in an attack on a Monterrey casino. See story on page 2.

File Photo: Mexican Government.

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NEWS BRIEFS

Ecuadorean Journalist Accused of Libeling Correa Flees to U.S.

An Ecuadorean journalist accused of libeling President Rafael Correa has fled to the United States, the Associated Press reported. In a letter from Miami, Emilio Palacio said he feared for his safety because of additional pressures from Correa's government, which he called "the dictatorship." In July, an Ecuadorean court sentenced Palacio and three executives of the newspaper *Universo* to three years in prison and fines of \$42 million. The defendants deny breaking the law and are appealing the ruling.

Honduras, El Salvador Recognize Palestinian State

Honduras recognized Palestine as an independent state on Friday, while El Salvador did so the day before, Reuters reported. The Palestinians have said they would seek full membership in the United Nations in September. Israel's ambassador in Honduras called the decision "a blow to the heart of Israel." Currently, about 120 countries recognize the Palestinian state.

Argentine Court Rules in Favor of Bunge in Registry Case

A federal appeals court in Argentina on Thursday ordered agricultural company **Bunge** to be reinstated to the country's grains registry, from which it was expelled in May after the government accused it of tax evasion, Reuters reported. Though the company can continue to export its products, it faces transport difficulties and loses certain tax benefits. Argentina's AFIP tax agency has opened a massive investigation into the alleged tax fraud. The government has said it will appeal the ruling to the Supreme Court.

Political News

Former Mexican President Fox Suggests Truce With Drug Cartels

Mexican authorities should consider proposing a truce with drug cartels and offering to provide them amnesty, former Mexican President Vicente Fox said Friday, the Associated Press reported. Since leaving office in 2006, Fox has advocated legalizing some drugs as a way to reduce violence. Fox's comments came a day after an attack, believed to have been carried out by a drug cartel, left 52 people

Between 35,000 and 40,000 people have been killed in drug-related violence in Mexico since late 2006.

dead at a Monterrey casino. Between 35,000 and 40,000 people are estimated to have been killed in drug-related violence since current President Felipe Calderón launched an offensive against the cartels in late 2006. "I want to start a public debate on the following ideas ... call on the violent groups for a truce," Fox said at an anti-crime event. He also called for evaluating "the advisability of an amnesty law." Earlier this month, Alberto López Rosas, the attorney general of Guerrero state, was criticized after saying drug gangs should call a truce among themselves in order to prevent the killings of civilians. However, federal security spokesman Alejandro Poire rejected the idea last week. "Regarding calls by authorities for the criminals to change their behavior, I think it couldn't be clearer that peace is not going to be achieved by asking the criminals for something," said Poire, the AP reported. "Peace is going to be achieved by bringing the criminals to justice ... that their thinking will not be influenced by appealing to their interests by calling on them to change their ways, but by giving them no choice but to submit to the law and stop their crimes."

Nicaraguan Government Was Behind 1984 Bomb Attack: Ex-Official

Nicaragua's Sandinista government was behind the bomb attack that killed four rebels and three journalists at a 1984 news conference in Costa Rica, the Associated Press reported Friday, citing a former Nicaraguan official. Luis Carrión, who was interior minister in the 1980s Sandinista government, told the wire service that his department planned the bombing in an attempt to kill rebel leader Edén Pastora, who was speaking at the news conference. "I can confirm it," Carrión said in an interview. Pastora survived the attack and is still living. Four Nicaraguan rebels, two Costa Rican journalists and a U.S. journalist were killed and more than 20 others were wounded in the attack, which happened in the northern Costa Rican village of La Penca.

Economic News

Mexican Central Bank Signals Possible Rate Cut

Mexico's central bank said Friday that it may consider cutting its benchmark interest rate due to conditions in the domestic economy and global markets, Reuters reported. At the same time, the bank, led by Agustín Carstens, kept its overnight lending rate unchanged at 4.5 percent. "In recent weeks, the external environment deteriorated significantly," the central bank said in a statement. "The latest information about U.S. economic activity shows that growth has been weak during most of 2011 and maintains the structural problems of unemployment, indebtedness of households and the housing market. This led to growth expectations for 2011 and 2012 being revised substantially downward." The announcement led Mexican bonds to end their longest losing streak in six months, Bloomberg News reported. The yield on the country's benchmark peso bonds due in 2024 fell 20



Carstens
File Photo: Mexican Government.

basis points Friday to 6.20 percent. The bank said it would "consider the convenience of adjusting" monetary policy if the country's outlook for growth deteriorated. "If the U.S. economy continues slowing, the bank may cut rates as soon as the first or second quarter," Alejandro Urbina of **Silva Capital Management** in Chicago, told Bloomberg News. "The slowdown in the U.S. had been making the possibility of a rate cut more and more likely." On Aug. 10, the central bank lowered its estimates for the country's growth over the next two years. The bank said gross domestic product is likely to grow as much as 4.8 percent this year, as compared to the previous estimate of 5 percent.

Company News

Swiss Re Applies to Brazil for Local Reinsurance Registration

Insurer **Swiss Re** has applied to Brazil's Superintendence of Private Insurance for a local reinsurance registration, the company said Thursday. "Swiss Re views a Brazilian reinsurance registration as a local reinsurer as the next step in its con-

“The local registration will allow Swiss Re to participate fully in the Brazilian market and service a wider spectrum of clients and risks ...”

— *Swiss Re*

tinued dedication to its clients and the Brazilian insurance market," the company said in a statement. "The local registration will allow Swiss Re to participate fully in the Brazilian market and service a wider spectrum of clients and risks while being an active player in future market developments." Brazil's economic expansion, along with major infrastructure projects, "have increased the need for risk management support," said Rolf Steiner, Swiss Re's region head for Brazil and Southern Cone Reinsurance.

Featured Q&A

Continued from page 1

low bank usage penetration in the region, as well as a favorable juridical framework. Those two factors would drive the final boost needed by many businessmen for taking digital media seriously. Apparently, users have already done their job (penetration, willingness) and now the ball is on the supply side (companies and governments)."

A **Cely Carmo, lead digital strategist for Latin America at Burson-Marsteller:** "E-commerce in Latin America has a long way to catch up with the most developed markets, but it is growing fast at a rate of 30-40 percent per year in the past five years. Brazil is the largest market, with more than \$12 billion in online shopping per year, and, according to e-Bit, 89.6 percent of Brazilian online shoppers are satisfied with e-commerce Web sites and feel comfortable with security for online purchasing. Besides Brazil, where 94 percent of e-commerce site visitors make an online purchase, Argentina and Colombia also have a high rate of conversion, with 89 percent and 84 percent respectively. A survey conducted by Comscore in 2010 showed that women are more likely to use e-commerce than men. Among those who visited e-commerce sites in the region, 79 percent of males reported making an online purchase, while 88 percent of females reported doing so. The most important obstacles to develop e-commerce in Latin America are still Internet security, type of payment options offered and shipping costs, but people are attracted to online shopping due to promotions and free shipping, and both are good strategies for sellers in Latin America. The growth of coupons Web sites, such as Groupon and Peixe Urbano, is also stimulating the online shopping. For the next years, a good perspective is s-commerce, or e-commerce through social media. Last week, one of the biggest department stores in Brazil, Magazine Luiza, announced the first platform in Brazil for online shopping

on Facebook and Orkut, to be launched in September. It will be a kind of door-to-door selling initiative—or click-by-

“The most important obstacles to develop e-commerce in Latin America are still Internet security, type of payment options offered and shipping costs.”

— *Cely Carmo*

click. The idea is to invite relatives of company's employees and clients to offer Magazine Luiza products on their personal pages on Facebook and Orkut, and they will receive from 2.5 to 4.5 percent of the revenue."

A **Klaus Stoll, team member of Fundación ChasquiNet in Quito:** "E-commerce in Latin America should not make the mistake of implementing models that focus on large companies selling goods to middle- and upper-class customers as this clearly underestimates the potential and importance of e-commerce for the region. E-commerce represents real opportunities for small- and medium-size companies to develop healthy businesses. The new vision of how to do business has to be promoted and explained. Training, technical and logistical support has to be made available to micro-, small- and medium-sized enterprises (MIPYMES) through their trade organizations and government initiatives in order to realize this unique opportunity. E-commerce based on MIPYMES is not only a commercial opportunity but also addresses a number of social questions like poverty and migration and is best realized through multi-sector partnerships. The use of e-commerce by MIPYMES is also supported by the clear trend that the personal computer is play-

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Featured Q&A*Continued from page 3*

ing a less and less a role, while mobile phone-based Internet platforms are becoming the e-commerce platforms of the future. This opens up e-commerce to much larger and socially diverse markets as had been the case before. E-commerce in Latin America still has the chance to become a key force of positive social change and a commercial opportunity for all, the only question is if this opportunity will be realized and not wasted."

A Daniel Latev, head of non-store research at Euromonitor: "We expect e-commerce in Latin America to grow very rapidly in the future and, in fact, it will be the fastest growing region between 2010 and 2015. In compounded annual terms, it will grow 17.1 percent (compared to global growth of 13.3 percent), while overall growth during those five years will be 120 percent (compared to global growth of 86.7 percent). The growth is coming from a relatively low base as Latin America is generating \$11.6 billion through e-commerce (compared to global sales of \$316.9 billion) and, as these numbers show, we expect a very strong performance in the short term for Internet retailing. The growth is driven by a combination of factors—both demand and supply driven. On one hand, there is an ever-growing share of

Internet users in Latin America who are becoming more confident in shopping online. On the other hand, we have an increasing number of local companies establishing an online presence with attractive prices and convenient delivery options. Retailers are testing new payment and delivery options to gain consumer trust to shop online and one of those is payment on delivery where the consumer pays the courier after they deliver the goods, which helps to limit some of the issues with online fraud. Adapting to such local inclinations is very important for companies setting up online sales. Some payment options and deliveries methods which work in one market are not necessarily going to work in a neighboring country so adjusting to the local specifics is a must. Brazil is by far the most developed market for online sales in Latin America. It is not only the biggest, with \$8.2 billion, but it is also the market with highest share of Internet sales as a proportion of overall retail at 3 percent in 2010. Argentina and Chile also enjoy relatively high penetration of Internet sales, while Mexico has disproportionately low sales of Internet relative to its retail market."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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