INTERNATIONAL SEMINAR - EMBA COLUMBIA UNIVERSITY

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This course is an in depth examination of Latin America's economy, finances and firm behavior and performance. It involves both an academic and on-site learning experience. The learning and value acquired from this course is based on class discussion and the experience of visiting firms in Brazil, a major emerging market. It is also a case study bringing together several key disciplines of the EMBA program.

Requirements and Grades

Textbooks:

- 1. Javier Santiso, **Latin America's Political Economy of the Possible**, MIT Press, Cambridge, Ma., 2006
- 2. Francisco Vidal, Herbert Klein, Brazil Since 1980, Cambridge University, 2006
- 3.Marcelo Olarreaga, Guillermo E. Perry, Daniel Lederman, Eds., **China's and India's Challenge to Latin America: Opportunity or Threat?** World Bank, November 2008
- 4. The World Bank, **Doing Business, Country Profile for Brazil**, 2009 (Included in your Readings book)

You will need to read/skim the books prior to the trip as in Brazil that will be difficult to do. The Brazil Since 1980 book should only be skimmed as it is a source on Brazilian history, economics and facts. Also, additional readings from the Readings Book are detailed below.

Grades and Requirements

There will be five class sessions all held in Rio de Janeiro, Brazil.

The class grade will consist of three parts:

- -40% class presentation
- -40% from a final take home exam due a few weeks after return to the USA. The final will be a two page submission on an issue we encounter while in Brazil.
- -20% representing cases which will be discussed in class. Questions will be sent prior to the trip. (Cases will not be handed in or written up)

Presentations: During the week students will make two class presentations

Students will volunteer for case discussion and presentation.

A second presentation will be regarding a start up in Brazil. Guidelines will be sent prior to the trip.

An additional part of the grade will be based on the student's mastery of the key micro and macro issues affecting business in emerging markets, participation in class and company visits.

Students should follow the economic/financial news regarding Latin America in general and Brazil in particular. Materials can be posted on ANGEL that are relevant and should be read by the whole class. (Send materials to the professor for review first)

Lectures, Readings and Schedule

Session 1: Historical and Macroeconomic Overview

Class discussion

Historical Overview of Latin America

Economic Review: Colonialism, mercantilism, state finance, free markets

The relationship between the USA and Latin America

Emerging Markets Macroeconomics: A primer

What's in and out in Emerging Markets finance

Globalization and its impact in the region

What you should know about the IMF: Jargon, rules and economics of IMF Programs

Sovereign credit ratings and spreads

Readings:

Santiso, Chapters 1 and 2

Thomas P. O'Brien, <u>The Century of US Capitalism in Latin America</u>, University of New Mexico Press 1999 Chapters 4, "War and Nationalism, 1939-1959" and 5

"From Revolution to Neoliberalism, 1960-2000"

World Bank, "A better investment climate –for everyone", World Development Report 2004

IMF, IMF Financial Activities, June 2009

IIF, Capital Flows to Emerging Market Economies, July 2010

Session 2: Why is Latin America behind in economic development and growth?

Class Discussion

What generates growth?

Role of savings. Pension funds in Latin America

Institutional arrangements that promote growth Human capital development: The new frontier

Macro sets the stage and growth is achieved by firms. Technology, research and economic growth Product innovation

Brazilian success and innovation: GOL Airline

Readings:

Santiso, Chapters 3 and Conclusion China-India/Latin America book; skim first three chapters. Andrew Burns, "Bridging the technology divide", Finance and Development, June 2008

Case: Brazil at the Wheel (HBS 9-804-080)

Session 3: The country of the future: Brazil

Class Discussion

Historical evolution and background
Economic history and development
Political framework: the Brazilian economic miracle, the military governments
Income distribution
Discussion of business environment, major firms, banks and economic geography
A successful privatization: Petrobras

Readings:

Santiso, Chapter 8 Vidal and Klein, Skim entire book

Case: Drilling South: Petrobras Evaluates Pecom (HBS 9-204-043)

Session 4: Comparison of East Asia and Latin America

Class Discussion

Comparison at different points in time: 1950, 1970, 1990, 2010 Why such different outcomes? What is likely to happen going forward?

What happened in Chile? Is Chile the wave of the future for Latin America?

An international comparison: Hyundai and CVRD

Readings:

Santiso, Chapters 4, and skim 5 and 6 Goldman Sachs, "A few trade ideas for Brasil" Paulo Leme, 2002 China-India/Latin America; remainder of book

Case:

Session 5: Conclusions on business in Emerging Markets

Class Discussion

Country Risk

Setting country limits and managing cross border exposure.

Economic and financial vulnerabilities

Currency fluctuations: Devaluations and depreciations of the ER

Investing In Latin America

Investor base: Bankers, asset managers, corporate investors, etc.

Readings:

Santiso, Chapter 7

Thomas Dorsey, "Trade Finance Stumbles", Finance and Development, March 2009

IMF," Globalization: A Brief Overview", May 2008

Latin corporates of the future: LAN Airlines, Natura Cosmetics. Petrobras, Vale, Itau, etc.

Key Internet Sites in English (For data and comments on Emerging Markets)

www.americaeconomia.com

www.latintrade.com

www.bloomberg.com http://www.bloomberg.com/news/regions/latinamerica.html (free)

www.economist.com

www.ft.com

www.imf.org

www.worldbank.org

CASES

Drilling South: Petrobras Evaluates Pecom (HBS 9-204-043) Brazil at the Wheel (HBS 804080)