

THE COMPLEXITIES OF DOING BUSINESS IN LATIN AMERICA

WRITTEN IN CONJUNCTION WITH TMF GROUP¹



“A recent survey by expansion experts TMF Group ranked Latin America as the world’s most complex region for conducting business.”

Given its size and relative proximity, Latin America is an attractive market for U.S. businesses that comes with a number of inherent challenges. Latin America is often a difficult region due to its complex mix of trade rules and bureaucratic oversight.

A recent survey by expansion experts TMF Group ranked Latin America as the world’s most [complex region for conducting business](#). Two of the region’s largest economies, Argentina and Brazil, rank first and second, respectively, in terms of complexity. This is evidence that while Latin America is a natural choice for overseas expansion, it’s also a difficult environment in which to operate.

PAYROLL PRACTICES

Many nations in Latin America have relatively strict labor laws and payroll rules. Payroll managers must learn the difference between statutory requirements and commonly accepted practices—the two may often be quite different.

Some of the more common difficulties encountered by payroll managers in this region include:

- › Payroll reporting and pay slip requirements
- › Complex methods of calculating salaries and benefits
- › Payroll cycles
- › Exhaustive requirements for keeping records.

An effective regional payroll manager requires a different skill set than his or her domestic counterpart. In addition to working collaboratively with various teams, including HR, legal, local employees, the regional payroll manager would need to have a clear understanding on how local laws should be interpreted and how they could impact operations.

DEALING WITH CORRUPTION

Corruption not only causes inefficiencies when doing business internationally, the fallout from dealing with corruption matters can negatively impact growth and cost companies money.

In order to attract long-term global investment, Latin American countries have stepped up on reforms that tackle this issue. However, several recent events show that there is still room for improvement:

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- **Mexico:** Mexican president Enrique Peña Nieto launched a conflict-of-interest investigation where he, his wife, and his finance minister were the first subjects.
- **Argentina:** President Cristina Fernández de Kirchner, along with her husband Néstor Kirchner, has been involved in multiple corruption scandals, including the improper use of public funds.
- **Brazil:** Brazil's Supreme Court is investigating 34 sitting politicians in a multi-billion dollar bribery scandal, the largest anti-corruption probe to date for the country.
- **Chile:** Sebastián Dávalos, son of Chilean President Michelle Bachelet, resigned as head of a state charity due to accusations of influence peddling.

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CONCLUSION

It can sometimes take years for a company to accrue enough local knowledge to operate without needless difficulty. This interval can be greatly shortened by partnering with experts who have deeper awareness of local laws and regulations. This is doubly important when it comes to the more challenging aspects of expanding operations in this region.

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1 <http://www.tmf-group.com/en/media-centre/news-and-insights/august-2015/8-reasons-to-be-excited-about-investing-in-latin-america>