



BERTRAND BADRÉ

Founder and CEO of Blue like an Orange Sustainable Capital, former Managing Director and Chief Financial Officer of the World Bank

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Our last speaker is Bertrand Badré, who is former Managing Director of the World Bank and today heads an investment firm called Blue like an Orange, so it sounds as if we can expect some optimism from Bertrand.

Bertrand BADRÉ

Thank you. for once I will speak in French, a rare and enjoyable luxury.

After all we have heard, the daunting task falls to me—fortunately, Carlos sounded a slightly more upbeat note on Brazil—of explaining why, if I correctly heard everything on my left, it is still a good idea to invest in Latin America today.

Once I said that, silence. But basically, that is what I decided to do when I left the World Bank. In partnership with the Inter-American Development Bank, we created Blue Like an Orange, in homage to Paul Eluard's *Earth Is Blue Like an Orange*, to tackle the issue my neighbor raised, i.e., in 2015 the world made a number of sustainable development and climate commitments, many of which will be achieved or fall short on a planetary scale, especially in Africa and Latin America.

I chose to start out in Latin America because there are so many opportunities there. I clearly remember what Luis Alberto Moreno, the head of the Inter-American Development Bank, told me two years ago. Moreover, I had him speak in front of my potential investors. He started out by saying, "Latin America is great, but there is a footnote: it is not for beginners." That is exactly the point, when you hear all that.

True, when you look at Latin America as a whole, 2019 was not a very good year. Growth sagged in Mexico and barely started up again in Brazil. If each country is taken one at a time, it looks like things are not going well. But if you look at the continent as a whole, which, in addition, is pulled down by Venezuela, a country that weighs heavily on Latin America's macro growth, we are just above zero—the IMF's latest estimates for this year, although they forecasts an upturn next year, driven mainly by Brazil's recovery. So the macroeconomic picture does not look too bright.

The political picture is a bit complicated. Since most people spend little time trying to understand Latin America, they read the paper and say, "The capital of Ecuador has moved from Quito to Guayaquil." They read about the primary elections in Argentina and say, "We thought Macri was Macron but he is not." they see the spats between Bolsonaro and Macron and say, "We will not manage on Brazil!" The list goes on, including the fact that the president of Mexico has not left Mexico yet. You can look at all that and say the glass is half empty instead of half full. You have to keep that in mind.

At the same time, and this is my job, I think it is actually half full. Why? Because 2019 was a time when a snapshot was taken, but that snapshot came after 20 years of progress and change. That was recalled. There has been growth for 20 years. per capita income is up and the middle classes, civil society and institutions have developed.

True, three Peruvian presidents are in jail, but if they are it means the legal system works. That is rather positive. It would have not happened 25 or 30 years ago. We could take a look at Brazil again, etc. There are institutions holding up. Civil society is on the move. All that is cause for comfort.



The economic strides of the past 20 years will not come to a halt overnight. We are not on the edge of a cliff or the verge of collapse. This is a time of adjustment when the raw materials cycle is ending. There is no denying that trade tensions weigh more heavily on Latin America than on most of the other continents.

Meanwhile, Mexico surpassed China as the United States' main trading partner. The integration between Mexico and the United States, which shows the work Mexico has done integrating value chains in the past 20 years, now functions. I feel rather optimistic about Mexico because now it is too big to fail for the United States. It is more complicated for Brazil. See, you can look at all that.

Above all—I will try to be brief to allow time for questions and will not go into details about individual countries—this illustrates an issue that might have echoes in Africa. When people look at Latin America, they see a monolith, just like they see a monolith when they look at Africa. They say “emerging markets”. After they become a bit more specialized they say there is an emerging Asia, an emerging Africa and an emerging Latin America. That partly makes sense because none of Latin America's individual financial markets is on a global scale. So it is true that we reason in terms of Latin America and the details are somewhat overlooked.

Again, it is the same issue as in Africa. People forget that there are 55 countries in Africa and 32 in Latin America. You have to look at the details. Just because there is a problem in Quito it does not mean there is one in Bogotá, etc. I will go back to what Luis Alberto Moreno said: it is not for beginners. We have to be selective.

Perhaps I will end on two points. I have had conversations this year about projects in Brazil, Mexico, etc. because Mexico's growth being at 0% does not mean everyone's is at 0%. It is because it was +5 and -5. So let us focus on the +5.

In Mexico I found out that there is a technology boom in Guadalajara, for example. I say this sheepishly because I should have known about it beforehand. There are entrepreneurs—I went to see them—who signed deals with the Israelis and are doing absolutely amazing things. It is the same in fintech in Brazil, etc. The list goes on.

So we have to stop looking at the macro picture and seeing nothing but gloom and doom and saying “Things are bad, etc.” That is true, but it reflects just some of the things happening there.

Moreover—and this is what you have just said—climate, biodiversity and nature are, increasingly, key issues for the continent. Unfortunately, we saw that a bit unpleasantly this summer in the Amazon. These issues will be at the top of the agenda at international negotiations in 2020. Latin America is where it is happening. Between 40 and 50% of the world's biodiversity is in Latin America. The Amazon absorbs carbon. It was called the lung of humanity. Then they said, “No, it is the lung of Brazil.” It is a matter of sovereignty. Nevertheless, it will be at the heart of the issues. So I think it makes more sense than ever to invest in sustainable development in the continent where the fight will be won or lost. That is what I am trying to do. There is certainly moral, ethical and, I am convinced, economic value there.