Going **Global**

Latin America

KRESTON GLOBAL

Nerves of steel: Can LatAm leverage global trade tensions?

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Kreston Global in Latin America

Kreston Global ranks as the 17th largest accounting network in Latin America, with 24 member firms and more than 1,300 professionals working across 17 countries.

The region is operating within a backdrop of increasing global tensions, bringing a mix of risk and opportunity. Recent shifts in policy, from the US's tariff-driven trade approach (see page 01) to China's investment priorities (see page 07), have placed Latin America at the heart of wider economic story.

Governments across the region are responding in different ways. Argentina, for example, has introduced RIGI (see page 03), a temporary programme designed to attract large-scale investment with favourable guarantees. In Mexico, the newly launched 'Plan Mexico' (see page 09) aims to modernise the economy and strengthen the country's role in regional trade.

In this context, businesses operating in Latin America need to keep pace. Staying competitive means rethinking strategy, understanding new alliances, and watching closely for the emerging trends that are reshaping the investment landscape.

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Will tariffs squeeze out mid-market optimism?

In 2024, Brazil's mid-market businesses embraced international expansion with confidence, according to The Interpreneur Survey by Kreston Global. Tatiana Andrade, Partner at KBW Auditores, sense-checks this outlook with a 2025 mindset.

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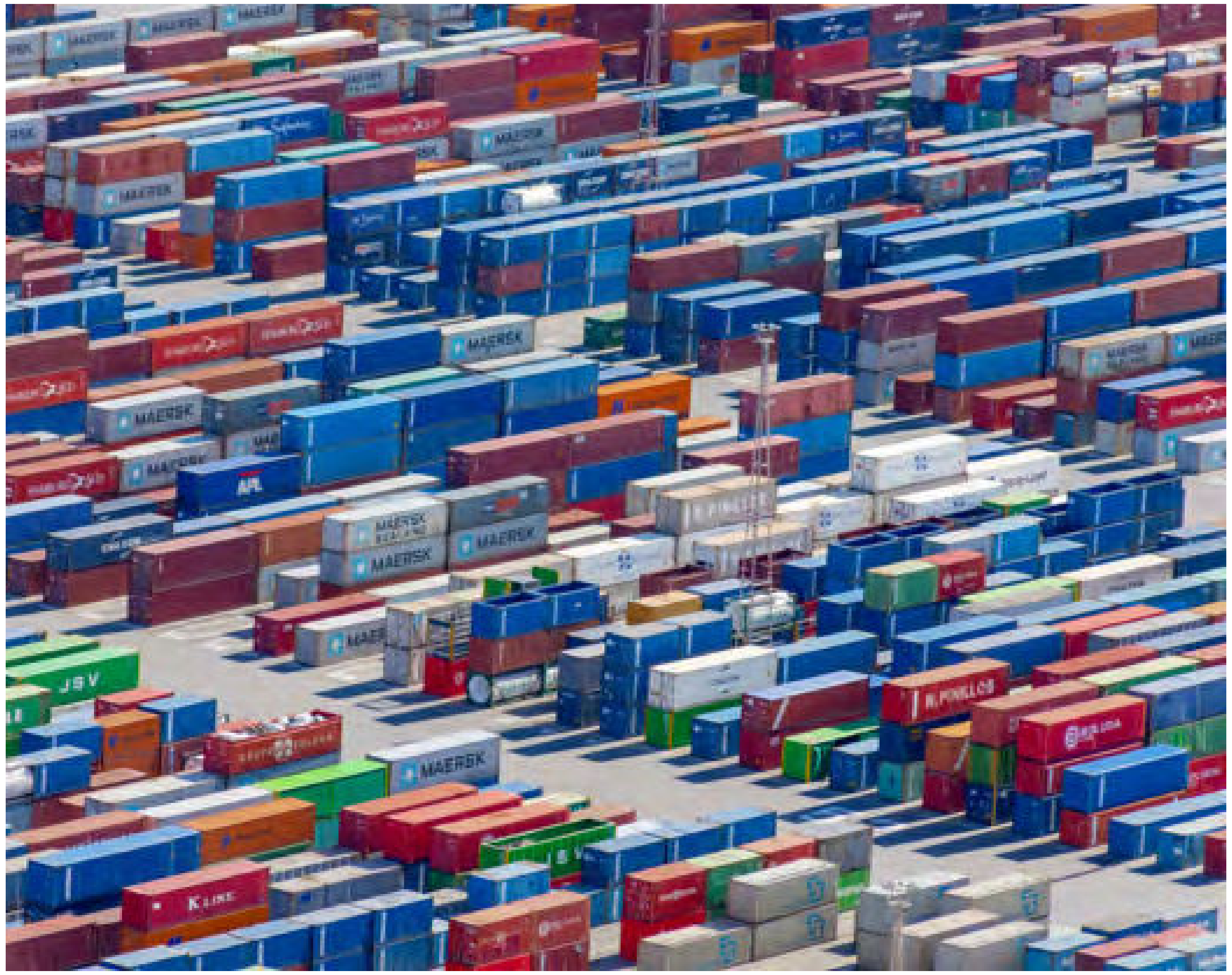
Partner at KBW Auditores, Brazil



In the interpreneur report by Kreston Global, 92% of Brazilian executives expected international expansion to increase over the next 12 months, one of the highest optimism levels globally at the time of the report.

North America was also cited as the top destination for expansion. Andrade notes that the report delivered some key insight, revealing that economic growth prospects and digital infrastructure were the most attractive factors when selecting new markets, but most importantly for 2025, that improving profitability is a key driver:

"For 64% of executives, the main benefit of international growth is increased profitability, which justifies overcoming any challenges."

Mexico's mid-market businesses share optimism

Mexico's mid-market businesses mirror this confidence, with 91% of business leaders expecting international growth in the next year. Their top expansion targets were also North America (72%), Western Europe (53%), and South America (45%), reinforcing strong regional trade ties and a preference for established markets.

When selecting expansion destinations, Mexican business leaders prioritise economic growth prospects (52%), favourable trade agreements (49%), and tech infrastructure (47%). Notably, tax policies (41%) rank higher in importance compared to Brazil, reflecting Mexico's focus on financial incentives.

2025 challenges

This optimism faces a potential setback with the recent imposition of a 25% U.S. tariff on steel and aluminium imports from Brazil and a general 25% tariff on all imports from Mexico. These measures directly impact two of Latin America's largest economies, potentially reshaping trade priorities.

Brazilian businesses, 66% of whom target North America for expansion, may now face higher costs and reduced competitiveness in the U.S. market. As Tatiana Andrade notes, Brazil's economic growth has bolstered optimism about international expansion, but these tariffs introduce uncertainties that could dampen enthusiasm. Andrade feels this is more of a redirection, than a block,

"In 2025 Brazil has solid fundamentals that make it attractive to foreign investment, especially in a context of slowdown in other emerging economies and with government initiatives focused on sustainability and innovation.

However, the imposition of a 25% tariff on steel and aluminium imports directly affects Brazil, one of the main suppliers of these products to the United States. It is estimated that Brazil will experience a reduction of up to US$1.5 billion in its trade balance related to steel exports.

In 2018, Brazil had a major impact on the steel and metallurgical sector, but now in 2025, Brazil is more focused on market diversification, such as Europe and Asia, but there is still a strong dependence on the American market so it is crucial that the companies navigate with caution in the face of global trade tensions and seeking to diversify its trading partners."

A need for strategic reassessment

In international trade, it is increasingly agility that is the defining line between success and failure. Mid-market businesses, in particular, may feel the effects of these tariffs more acutely than larger multinationals. With fewer resources to absorb trade shocks, they face a pressing need to reassess their international strategies to bolster cash flow and maintain the profitability they were targeting when expanding internationally.

RIGI to turbo boost investment in Argentina

Argentina is offering large-scale investors a two-year window of opportunity to invest in the country, under a new regime that guarantees political stability.

RICARDO GAMEROFF

Managing Partner,
Kreston BA
Argentina

While Argentina is recovering from its economic woes, it still has issues with how stable a country it is perceived to be for investors. In an effort to decouple its economic system from its political one, Argentina has implemented the Incentive Regime for Large Investments (Régimen de Incentivo para Grandes Inversiones or RIGI).

The RIGI guarantees regulatory tax stability for up to 30 years, providing long-term fiscal security for investors

While many countries offer financial incentives for large-scale projects, the RIGI is specifically designed to create conditions of predictability, stability, and legal certainty for large projects in Argentina. For instance, the RIGI guarantees regulatory tax stability for up to 30 years, providing long-term fiscal security for investors.

Politically, Argentina already has a legal framework in place to prevent the state from interfering with large projects, in the form of its Mining Investment Law, enacted in 1993, which has remained unchanged despite shifts in political leadership. This law assures that mining projects can continue without disruptions from sudden changes in policy. The RIGI aims to replicate this framework across other sectors, insulating private projects from direct state control.

The RIGI itself was created through a formal law, meaning it can only be modified or repealed by a new law passed by the Argentine National Congress, one of the three independent branches of government. For a new government to alter or eliminate the RIGI, it would need to secure approval from both the House of Deputies and the Senate, requiring a majority vote across various political parties.

Argentina is banking on the RIGI to give it the boost it needs to position itself as a global supplier in several sectors. Historically, the country has been a global leader in agriculture and livestock. In recent years, it has made strides in the oil and gas sector, particularly with the discovery of Vaca Muerta, the second-largest natural gas reserve in the world and the fourth-largest unconventional oil reserve. In mining, Argentina shares the Andes mountain range with Chile, which is one of the world's top mining countries, producing copper, gold, silver, and lithium. While Argentina's mining sector is currently underdeveloped, it has the potential to rival or even surpass Chile as a global mining powerhouse, particularly with the increasing global demand for lithium.

Argentina could emerge as a more competitive player in global markets, particularly in the oil and gas, mining, and agricultural sectors

'As the Regime's incentives begin to take effect and local industries scale up, Argentina could emerge as a more competitive player in global markets, particularly in the oil and gas, mining, and agricultural sectors,' said Ricardo Gameroff, Managing Partner of Kreston BA Argentina. 'The timeline for this depends on the successful implementation of the RIGI projects, infrastructure development, and the cultivation of a skilled workforce. In the short to medium term, Argentina is likely to see growth in niche areas, but in the longer term, there is significant potential for the country to become a key player on the global stage.'

Investors keen to take advantage of the RIGI need to move quickly – the scheme is only open for two years.

'The two-year window is a strategic decision to generate a quick influx of investments and restore confidence in Argentina's economy,' said Esteban

Babino, CEO of Kreston BA Argentina. 'With the country needing to rapidly align itself with global investment standards and attract foreign capital, the government is offering a short window to fast-track investments. The need for dollar reserves and the current economic climate, which demands a boost in economic activity, makes this window critical to jumpstart key projects and drive the country's growth in the near future.'

Argentina will require a wide range of specialised services to establish and grow their operations

The RIGI has opened significant opportunities for Kreston BA Argentina, particularly as companies looking to invest in Argentina will require a wide range of specialised services to establish and grow their operations. These services include valuations, due diligence, tax planning and compliance, business law advisory, and business process outsourcing—all essential to ensure smooth market entry and long-term sustainability.

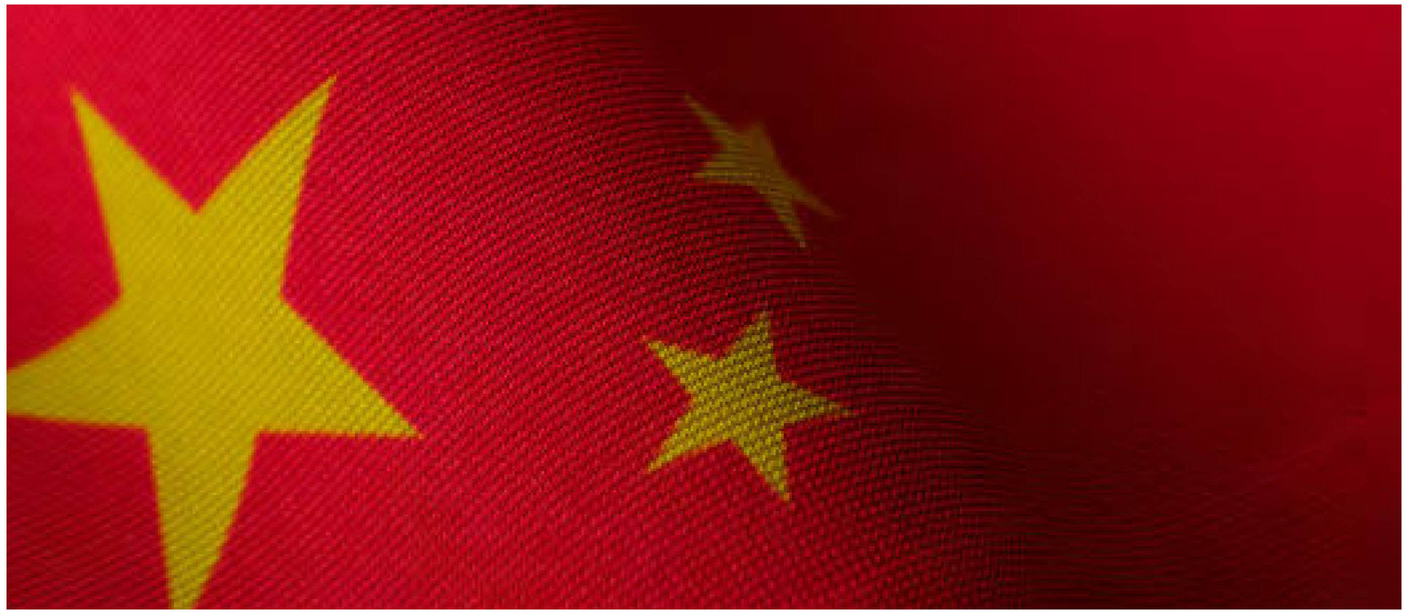
'As more companies consider setting up operations in Argentina, there will be an increasing demand for advisory services that help them navigate the complexities of local regulations and financial requirements,' said Gameroff. 'Moreover, as these businesses grow and expand, there will be a need for audits and risk management consultancy, areas where Kreston BA Argentina can provide considerable expertise.'

According to Babino, Kreston BA Argentina is already seeing an uptick in the number of proposals and inquiries it receives, as more firms recognise the importance of partnering with a local firm that combines global expertise with regional knowledge.

This is an excellent opportunity for Kreston BA Argentina to expand its market presence. As Argentina's fortunes rise under the RIGI, so does Kreston's and its partners.

US aggression slows Chinese investment

Latin America is finding itself forced into a balancing act between two of its biggest investors, China and the U.S. As the US foreign policy becomes increasingly aggressive, creating a potential trade war with China, the region needs to tread carefully.



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In 2023 China became both Brazil's largest export market and the main source of imports. In 2022, trade between the two countries reached US$ 157 billion. You would think this could only be good news, however, Brazil is having to exercise caution in its relationship with China as it seeks to avoid tensions with the US.

So far, the balancing act seems to be working. 'Despite possible divergences between Brazil's economic policy and the strategies of Trump's new administration, there is no sign of reduced Chinese or American investment in Brazil,' said Tatiana Andrade, Partner, Kreston KBW Auditores. 'This is due to Brazil's importance as a major commodity exporter to both countries and as a significant import market, with China as its largest supplier and the US in third place as of 2023.'

Brazil is being cautious about joining China's Belt and Road Initiative, while seeking more favourable trade terms with China. As a leading BRICS (Brazil, Russia, India, China, and South Africa) bloc member, Brazil faces potential risks, particularly concerning tariffs, if BRICS countries decide to replace the dollar in global trade. However, South Africa and India have denied any intent to replace the US dollar as a reference currency for BRICS.

Jorge Oropeza, Transfer Pricing Partner at Kreston BSG Mexico, is concerned that the tariffs imposed by Trump could have a significant impact in the medium and long term.

'The price increase caused by these tariffs, both on manufactured goods and agricultural products, could lead to inflationary pressures in the US, affecting consumers' purchasing power and potentially reducing demand,' he warned. 'This scenario could trigger a cycle of lower exports to the US, leading to a slowdown in investment in Mexico. In the long term, the instability generated by protectionist trade policies could also make investors more cautious, which would impact economic growth expectations and the investment climate in the country.'

However, Oropeza pointed out that Mexico could consider a strategy of diversifying its markets and focusing more on Latin America, where growth potential exists, particularly in sectors such as manufacturing, technology, and e-commerce. By strengthening trade ties with other countries in the region, Mexico could offset the negative impact of US tariffs and reduce its dependency on the North American market.

Trump's aggressive stance on tariffs might just be enough to push Mexico into the BRICS bloc. Becoming a BRICS member could offer Mexico a platform to access new markets and sources of investment. By joining this group, Mexico could benefit from strategic alliances with emerging economies that are expanding. This would further diversify Mexico's trade relationships and could mitigate the effects of global economic uncertainty, allowing the country to seize growth opportunities in markets outside of North America.

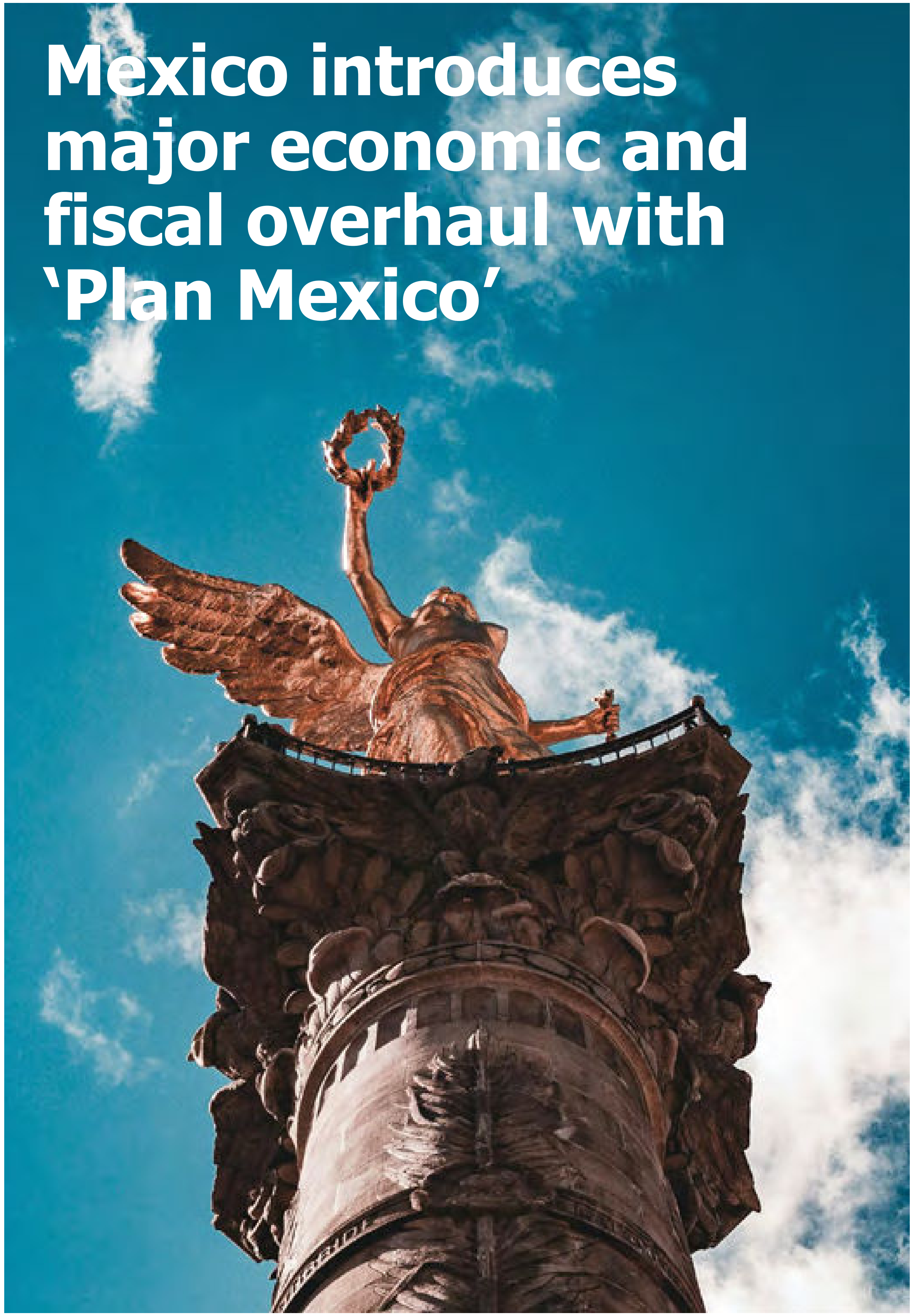
At the moment, Mexico is still very US centric in its approach and it is already slowing down investment in the country.

The measures taken by the Mexican government to review products more rigorously from China, both at customs and in stores, is a response to Trump's pressures on combating unfair trade practices. 'This approach has generated a climate of uncertainty, which could slow the arrival of Chinese investment in Mexico, particularly in sectors like manufacturing and technology, which are sensitive to trade tensions,' said Eduardo Solana, Manager of Transfer Pricing for Kreston BSG Mexico.

While Mexico could benefit in the short term by aligning with US expectations, Solana pointed out that there are risks in this approach. 'Increased reviews and controls could create friction with Chinese companies operating in the country, affecting the flow of foreign direct investment,' he said. 'In the long term, if tensions between the US and China escalate, Mexico may face a dilemma: either capitalise on the redirection of Chinese investment to the region or confront a slowdown in trade relations with China that limits its growth potential.'

The Kreston network's ability to collaborate is proving invaluable at the moment, as firms share regional expertise. This network of collaboration optimises tax and accounting compliance, and also supports client expansion during such turbulent times.

Mexico introduces major economic and fiscal overhaul with 'Plan Mexico'



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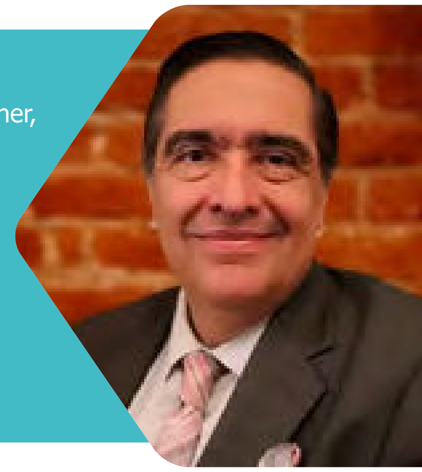

The Mexican government has launched Plan Mexico, an ambitious economic strategy aimed at attracting foreign investment, modernising infrastructure, and promoting sustainable business practices. Published in the Official Gazette of the Federation, the plan introduces significant fiscal incentives and regulatory reforms designed to drive economic growth and enhance Mexico's competitiveness on the global stage.

A key focus of the plan is to make Mexico more attractive to international investors by streamlining bureaucratic procedures and removing barriers to entry. At the same time, the government is committing substantial resources to infrastructure projects in sectors such as energy, transportation, and telecommunications. By improving these critical areas, officials hope to create a more efficient business environment that will encourage long-term investment and economic expansion.

To support this growth, the plan also introduces several fiscal measures designed to reduce the tax burden on businesses and stimulate investment. Companies investing in priority sectors will be able to claim additional tax deductions of up to 30% for infrastructure, machinery, and equipment costs. Additionally, businesses that establish operations in newly designated Special Economic Zones (ZEEs) will benefit from a reduced corporate tax rate of 20% for their first ten years, a significant decrease from the general 30% rate. Other tax benefits include accelerated asset depreciation for firms in clean energy and technology sectors, as well as exemptions from local payroll and property taxes for up to five years in select regions.

Sustainability is also a central pillar of Plan Mexico. The government has introduced a range of incentives to encourage businesses to adopt environmentally friendly practices. Companies investing in renewable energy projects, such as solar, wind, or geothermal power, will be eligible for tax credits covering up to 25% of their total investment. Businesses purchasing clean technologies, including electric vehicles and energy-efficient equipment, will be able to deduct these expenses immediately. Meanwhile, firms that successfully reduce their carbon emissions will receive tradable carbon certificates, which can be used to offset tax liabilities or sold on international markets. The plan also includes financial incentives for businesses implementing circular economy practices, such as recycling and material reuse, through reduced environmental duties.

A key element of the strategy is the creation of four Special Economic Zones (ZEEs) aimed at driving regional development and attracting industry-specific investment. The Southeast ZEE, covering states such as Tabasco and Chiapas, will focus on renewable energy, agribusiness, and sustainable tourism. The Northern ZEE, which includes regions like Nuevo León and Coahuila, will prioritise advanced manufacturing, logistics, and information technology. The Pacific ZEE, spanning Guerrero, Oaxaca, and Michoacán, will concentrate on port infrastructure, sustainable fishing, and clean energy initiatives. Meanwhile, the Central ZEE, covering Hidalgo, Puebla, and Tlaxcala, will support the growth of the automotive, textile, and agribusiness sectors.

The implementation of Plan Mexico is expected to create significant opportunities for businesses, but it also brings challenges. Experts recommend that companies assess whether relocating or expanding into Special Economic Zones could provide financial advantages. Businesses should also review their tax strategies to ensure they maximise available deductions and reduced rates. Additionally, adopting sustainable practices could unlock further incentives while aligning operations with global environmental standards. Given the complexity of the new tax regulations, firms are advised to seek expert guidance to ensure compliance and avoid potential penalties.

With Plan Mexico, the government is positioning Mexico as a leading destination for international business while driving domestic economic expansion. The combination of tax incentives, infrastructure development, and sustainability measures is expected to attract significant investment. However, businesses will need to navigate the evolving regulatory landscape carefully to take full advantage of the opportunities presented by this sweeping economic reform.

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