## Current financial crisis and Latin American translation

Teddy Bengtsson

In the current global financial crisis, Latin America has at least one advantage over most parts of the world. Crisis mode is the norm, rather than the exception, and presumably this means that people here consider what is happening to the world economy far less threatening than people in Europe and North America. The region is also one step removed from the closely interconnected economies of the western world, which means that the impact of the crisis has taken longer to see tangible effects. But does that mean Latin America is a safe haven from woes of the global financial crisis? I think not.

The two most influential countries in the region — Brazil and Argentina — have more in common than traditionally representing the greatest threats to the success of European football — soccer for those of you in North America — in world tournaments. Both have had their fair share of political, social and economic turbulence in modern times, and even in our own little world of translation and localization we detect some interesting idiosyncrasics. Let me start by taking the pulse of each one, starting with the larger of the two.



Teddy Bengtsson is CEO and founding partner of Idea Factory Languages (IFL). He previously had management assignments with Oracle, Microsoft and Aldus Europe Limited. Brazil is one of the single biggest markets in the world, weighing in at around a whopping 200 million inhabitants, who by the way conveniently almost all use the same language – Portuguese. Geographically speaking, it takes up almost half of the space in South America, and also economically it is the region's powerhouse. It is the tenth largest economy in the world and the ninth largest when it comes to purchasing power parity. It represents the "B" in the BRIC acronym of emerging superpowers, along with Russia, India and China, and the country has for quite some time been predicted for growth in international significance. Although this has perhaps taken longer than expected to materialize, development in recent years has indeed seen signs of a maturing economy with relative political and economic stability. The country has undergone a modern economic reform and invested significantly in infrastructure development. The value of the local currency (the Brazilian real) has seen a roller coaster of a ride since it was floated in 1999. Speculative short-term capital played a role of it rising sharply against the US dollar, but in 2008 we saw things going the other way to the tune of 25%. Inflation monitoring and control have generally been successful and resulted in increased stability.

With a population of about a fifth of its northern neighbor, Argentina is very much the little brother in comparison at least when it comes to its economic power status. Its current position as number 61 in the world in terms of gross domestic product per capita puts it just below Libya and Gabon. This doesn't speak well of the financial management of the country, especially considering that Argentina was the tenth richest country in the world in 1910. A seesaw of military dictatorships and democratically elected governments has left a mark on the nation's development in every sense, from social to financial. 2001 saw the culmination of an economic situation spiraling out of control, and when the local currency (peso) previously

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editor@multilingual.com

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pegged to the US dollar was floated. it immediately crashed to a quarter of the value. Eventually it settled at around three pesos to a dollar and has generally stayed at that level until recent months, when it came under pressure. It is currently pushing 3.70. A key reason for this development is that, in contrast with Brazil, the gov-ernment has not been able to keep inflation in check. Despite that offi-cial figures of annual inflation point towards less than 10%, independent data suggests the real figure is more than double the numbers provided by the government. What does all of that mean for

the language services industry in the region? Well, despite its smaller stature from an economic power perspec-tive, Argentina has a couple of things in its favor. First of all, the national language is Spanish, one of the most significant and fastest-growing lan-guages in the world with more than 400 million native speakers. As such, it puts Portuguese firmly in its place. Also, the country has a well-educated popula-tion in general and translators in particular, thanks to the many universities featuring translation programs. Riding

on the sudden cost efficiency brought on by the 2001 crisis, Argentina has since experienced an evolution that has taken it from a cottage industry of freelancers and a few traditional agency style out fits to one that is beginning to resemble an industry, including companies with enterprise infrastructures and the trade-mark characteristics of jobs and career opportunities.

Although it continues to be domi-

nated by individuals, freelancer group-ings and small owner-operated agencies, the country currently has a handful of companies with more than ten employees. It is also significant that opportunities are not solely the domain of linguists. An advanced translation project man-agement training event held in Córdoba in 2008 and led by IFL's production director was attended by around 45 pro-ject coordinators and managers from different companies, providing evidence not only of the size of the industry, but also of its growing maturity in terms of diversification and specialization. The combination of a continued (albeit dim-inishing) cost advantage, a convenient time zone location between Europe and

North America, and a growing reputation in the industry means that Argentina has become the first viable challenger to Spain's dominant position as the leading country for Spanish language services. Notably in this context, the most populous of official Spanish-speaking coun-tries – Mexico – does not have a single company that is a member of GALA, the leading international industry associa-tion for translation/localization companies, whereas Spain has 18 and Argentina 12. That particular comparison also warrants a look in the side mirror at Brazil, which lists a rather surprisingly low four companies in total - or five when considering that IFL has its own production

operations in both countries. The main reason is that just as in Argentina, the industry is dominated by small operators without a substantial infrastructure. The overheads of hav-ing in-house employees are even more prohibitive in Brazil than Argen-tina, thus resulting in most companies preferring to operate a model that is built on contract resources. This means they can avoid the costs asso-ciated with taxes, social fees and the many others associated with salaried positions.

This brings me to the effects of the global financial crisis in the region. We are certainly seeing substantial price pressure, and my impression is that this is accentuated by the market being generally responsive. This is particularly true of operators with limited internal infrastructure, since they can simply pass on price reductions to contractors. It is, of course, consider-ably more complicated for companies

with substantial in-house staff, since employee overheads and other fixed costs offer more restrictions towards flexibility in pricing. The recent weakening of both local currencies only partially offsets the pressure on pricing, with the remainder likely to be made up by tighter margins and variable cost reductions where it can be found. It seems certain, however, that the global financial crisis will decelerate the momentum of the last few years of industry development. For example, a growing number of

international companies are currently joining local operators in hiring staff on a contract basis. By offering linguists and other industry professionals "contract



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assignments" with a fixed monthly compensation, they can bypass legal obligations and commitments as an employer and make a "cash-in-hand" offer that a local company with an in-house employee philosophy can not compete with. By and large, these assignments are performed from the individual's home and personal computer, further contributing to running an operation with minimal overheads. In some cases, however, the practice is also deployed in office environments, with either part or whole of the compensation being paid under the table.

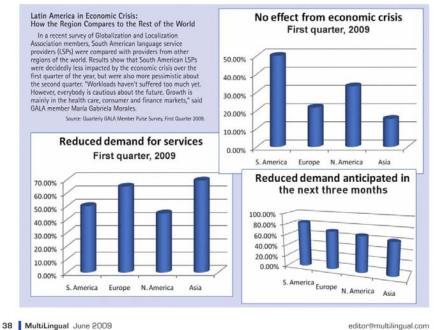
Regardless, there are many flip sides to this practice. On one hand, it hardly offers the individuals in such roles an environment in which to develop professionally. It also indirectly encourages illegal and irresponsible behavior, as it is easy to circumvent taxation and other obligations, such as pension and social security contributions. On the other hand, it introduces a multitude of risks to the end client of the services. The unstructured

production environment will inevitably create dependency on individuals who are only loosely connected to the vendor organization, bringing about concerns for the consistency and sustainability of service levels and quality standards, not on mention the security and integrity of project data. All of this is contrary to the best interests of customers as well as providers of language services and is counterproductive to a continued positive industry evolution in the region.

The net effects are still to be fully felt in Argentina and Brazil. No doubt free-lance translators are feeling the push on prices, and many already accept lower rates as the amount of work is on the decrease and competition for assignments is stepping up. Smaller agencies may see opportunities to compete on price, especially as subcontractors to multilingual vendors, but need to be cautious as this is often supported by processing shortcuts that inevitably carry long-term risks. Many companies

with a larger infrastructure are certain to experience a reduced growth pattern and will be looking for ways to scale down operations to a smaller and temporarily more sustainable level.

On a more positive regional note, the crisis is also acting as a catalyst for some end clients to reassess their supply chains and consider going directly to a local or regional supplier rather than accept the price premiums charged by multillingual vendors. As such, clients are likely to value the characteristics of the larger operators with a strong infrastructure, and thus there is an opportunity for leading companies to offset the negative impacts of the global recession. I remain confident in the underlying fundamentals and believe the language industry has a bright future in Latin America. For the time being, we will focus on finding a way through the crisis just like most others—by battoning down the hatches, doing a great job for our clients and hoping for better days ahead! M



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