

Doing Business in Latin America

Export Council of Australia
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Australian Government
Australian Trade Commission

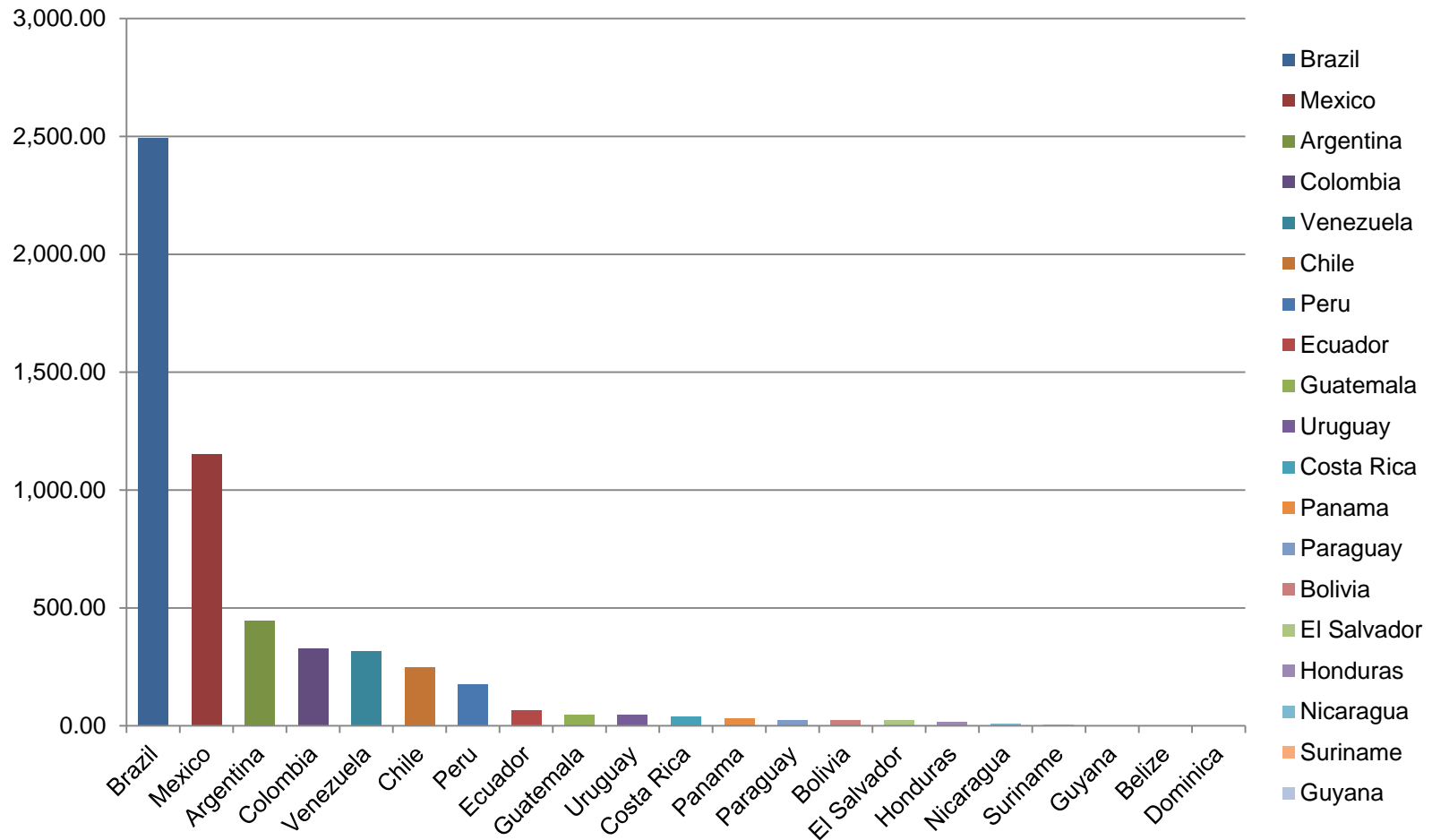


Latin America snapshot

- Economies in Latin America range from:
 - Global giants Brazil and Mexico, to;
 - Dynamic regional economies, eg Colombia, Peru and Chile, and;
 - Niche growth markets, eg Uruguay and Panama.
- Major producers and exporters of resource, energy and agricultural commodities.
- Significant manufacturing base – particularly Brazil, Mexico & Argentina.
- Deepening economic integration within the region and with the world.
- Rapidly growing trade and investment links with Asia.
- Australia’s commercial and educational links growing – from a small base.
- Australian investment in the region is helping to create a “pull-through” for Australian technology and services providers.
- While there are **common themes**, markets are **highly diverse** in terms of scale, demographics, resources, policy settings, and industrial characteristics.

From global giants to niche markets

Nominal GDP in 2012 \$US billions



Source: International Monetary Fund

The economic outlook

- Regional economic growth to pick up in 2013 after moderating in 2012
 - Slowdown in 2012 primarily the result of lower external demand and policy tightening
 - Growth in 2012 is expected to have been 3.2 per cent, rising to 4 per cent in 2013
- Slow-down particularly pronounced in Brazil (1) and Argentina (2.6)
- Some economies continue to perform well above regional average.
 - Colombia (4.3), Peru (6) and Chile (5),
- Foreign investment inflows remain strong
- Risks
 - Potential for slowdown in China
 - Ongoing economic weakness in Europe and the USA
 - Lower commodity prices

Growth – less than China but still ahead of advanced economies...

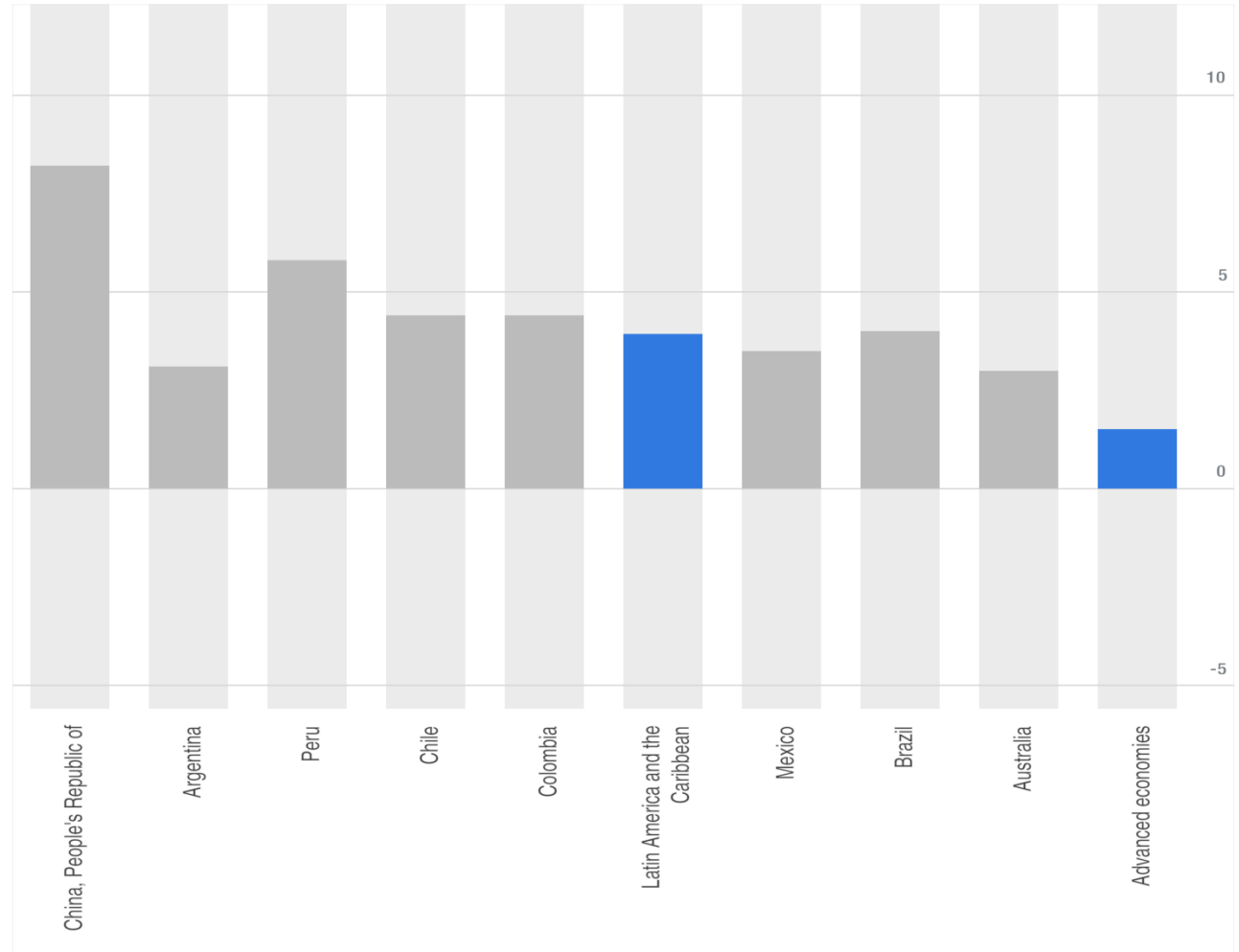
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Source: World Economic Outlook (October 2012)

Real GDP growth (Annual percent change)

2013

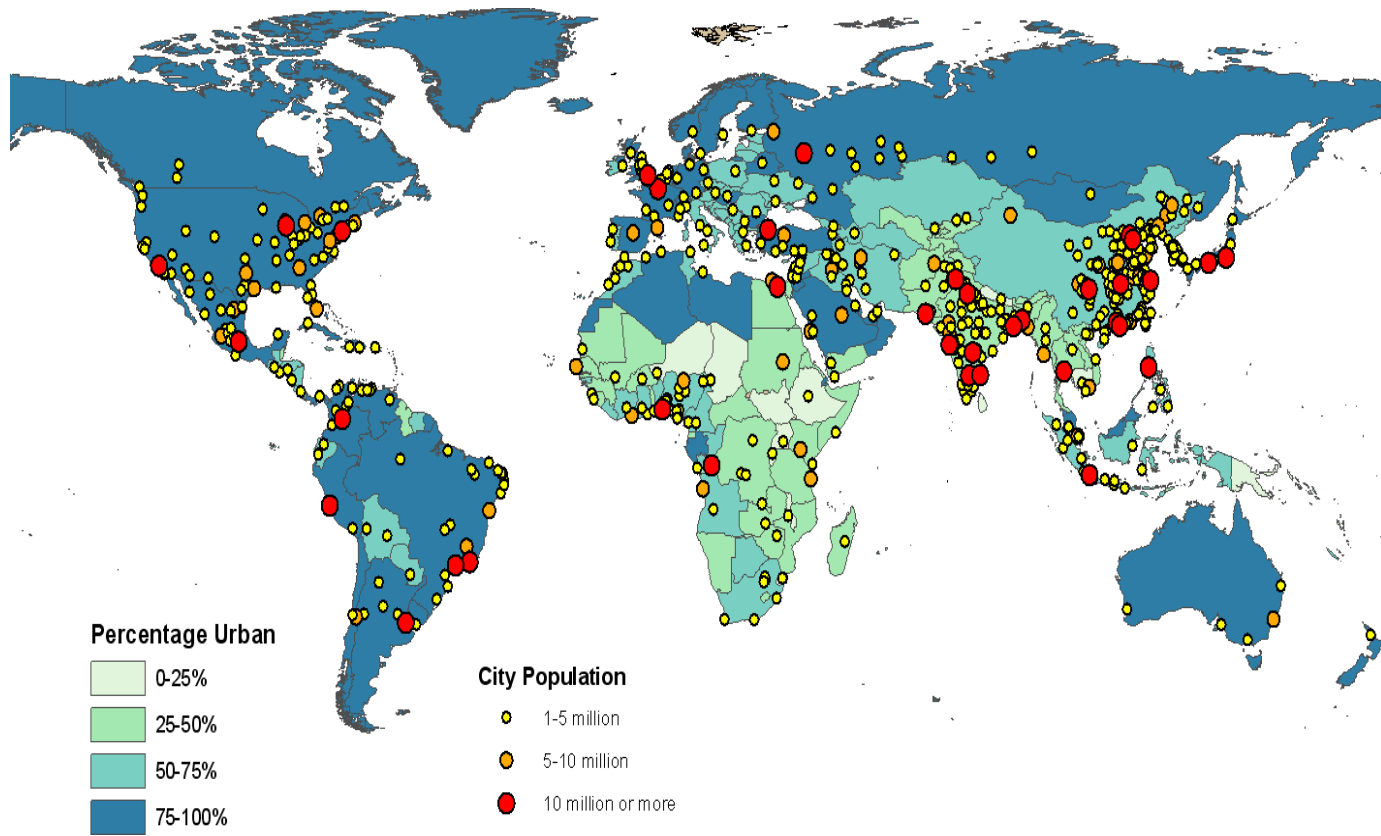


Demographics

- Latin America currently home to more than 590 million people
- Historic high rate of population growth is slowing
 - By 2050, growth rate is expected to approach zero and the region's population will stabilize at around 800 million, 8 per cent of the projected global population,
- Middle class has grown by over 50 per cent since 2003, now more than 150 million
 - The growing aspirations will significantly increase demand for education and training as families look to consolidate their economic gains and expand opportunities for their children.
 - Changing patterns of consumption.
- However, around 167 million remain in poverty
 - Over the last decade, economic growth, job creation, and government social programs have helped reduce the percentage of the region's population living under the poverty line from almost 50 per cent to around 28 per cent.
- Highly urbanised population
 - Around 80 per cent of population currently live in cities
 - many countries, including Brazil, predicted to reach 90 per cent by 2020.
 - Rapid growth of cities putting major pressure on infrastructure.

High levels of urbanisation

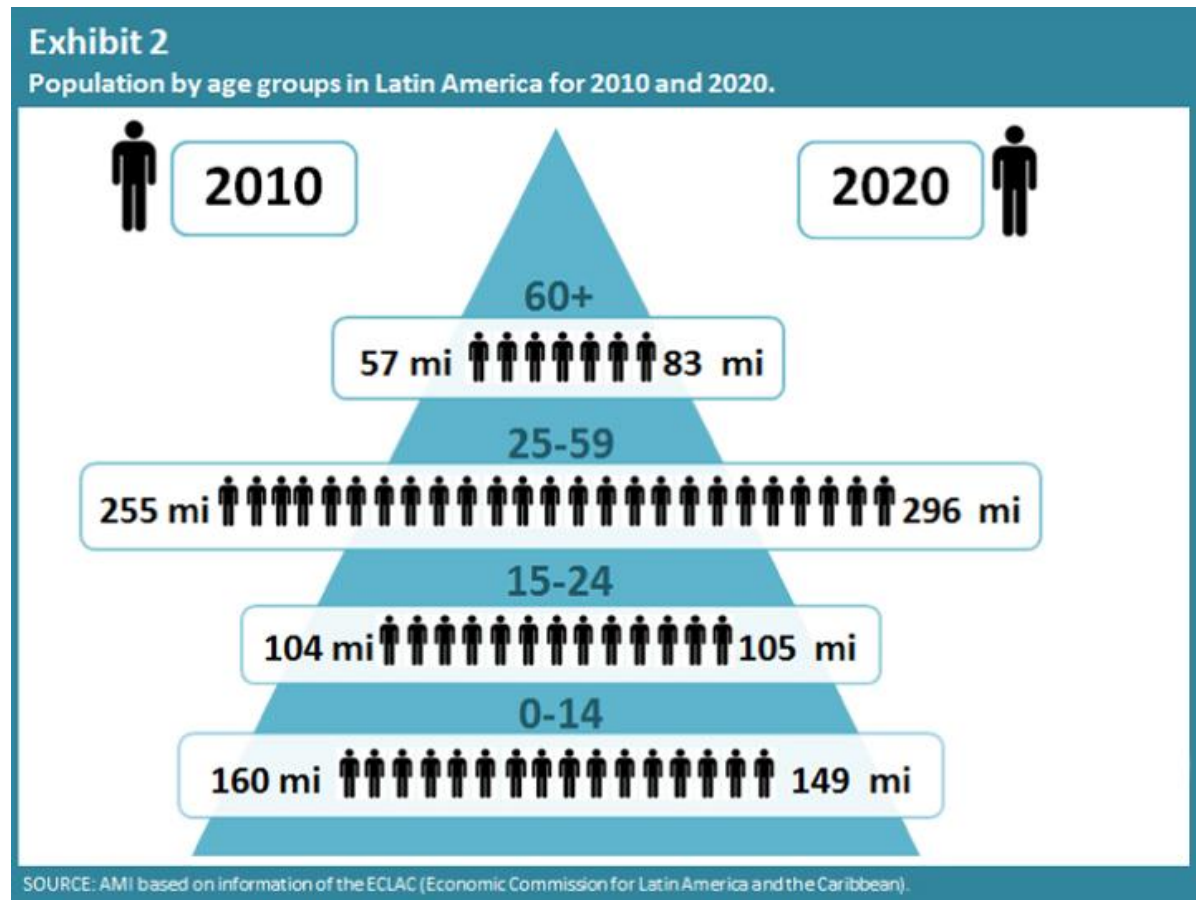
- By 2025 Latin America will be home to 6 mega-cities



Source: United Nations, Department of Economic and Social Affairs: http://esa.un.org/unpd/wup/maps_1_2025.htm

Latin America is also getting older...

- Significant growth in elderly population
 - Pressure on pension and healthcare systems.
- Growth in middle-aged consumers
 - Expanding demand for goods and services.
- Tertiary population stable
 - Demand for education will remain high.

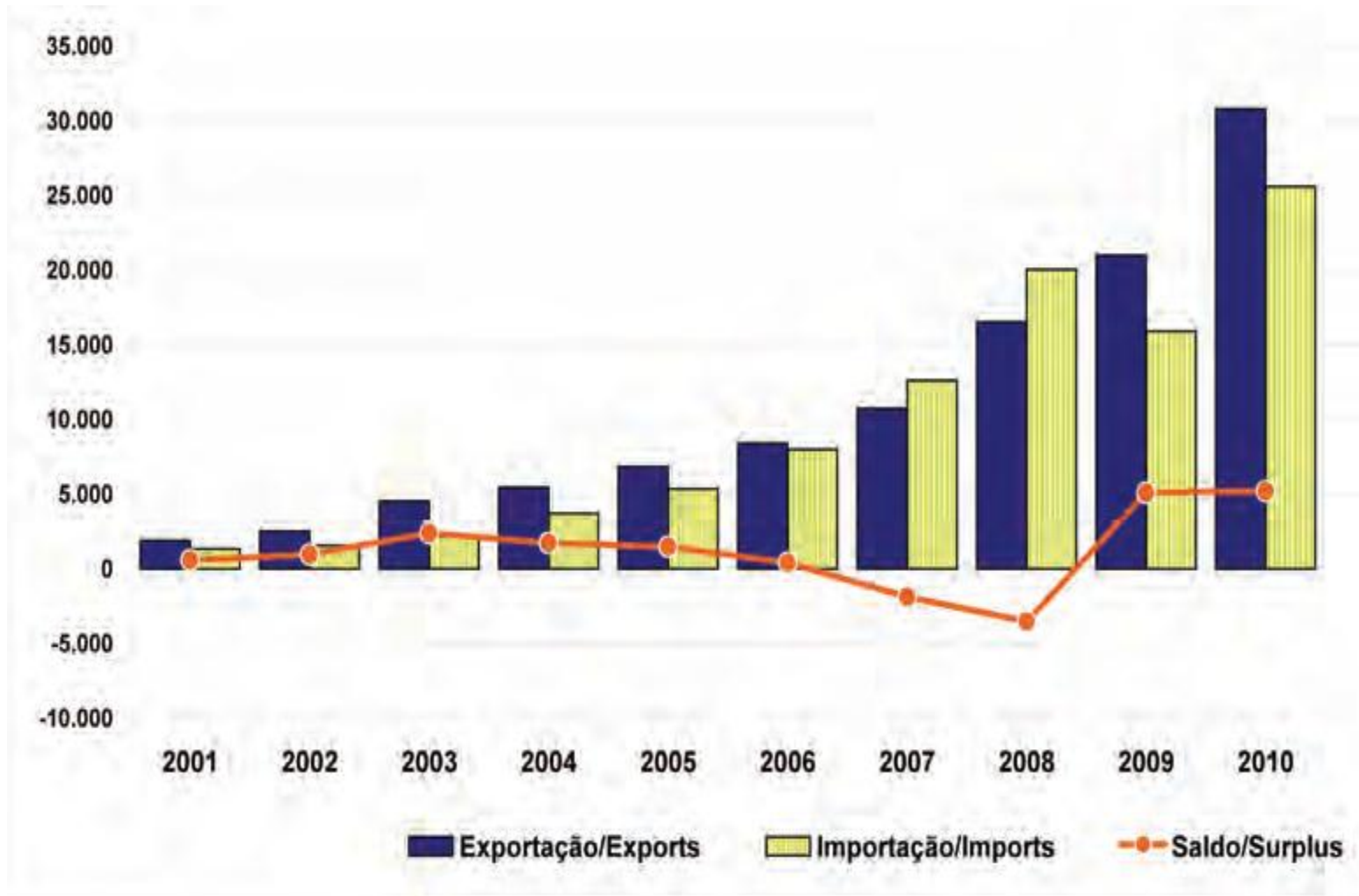


Source: Americas Market Intelligence based on ELAC data

An 'Asian Century' not just for Australia

- Latin America increasingly turning to Asia and Asia is increasingly looking to Latin America
- In 2011, trade between Asia and Latin America reached US\$442 billion dollars
 - Trade with Asia has been growing at more than 20 per cent annually over the last decade.
- Investment from Asia has also been expanding rapidly
 - China's share of foreign investment in Latin America has increased from 1 to 10 per cent in the last decade.
 - Investment focus resources and energy sectors however expanding into infrastructure, manufacturing, agribusiness, and other sectors.
- *Pacific Alliance* countries – Mexico, Colombia, Peru, and Chile – are particularly looking to increasing commercial integration with the Asia-Pacific region which will open opportunities for Australia.

Growth in Brazil-China trade (US\$ million)



Source: Secretariat for Foreign Trade (SECEX)/Ministry of Development, Industry and Foreign Trade (MDIC).

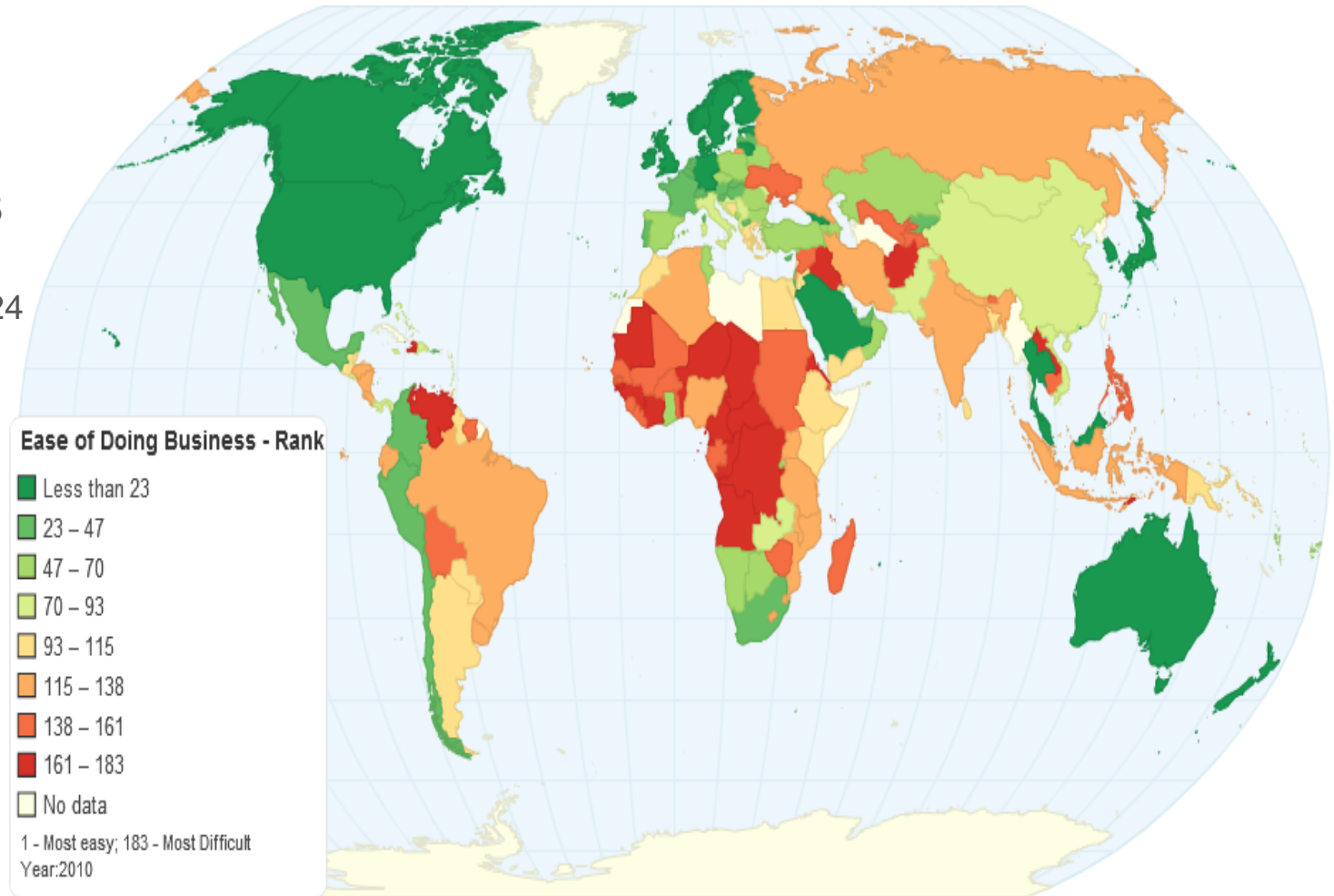
Challenges

- High tariffs
 - The Australia-Chile Free Trade agreement is currently the only Australian FTA in the region
 - The Trans Pacific Partnership under negotiation; includes Mexico, Peru and Chile.
- Governance & security issues
- Transportation costs
- Government policy settings
- Need to build the social mandate for major projects
- Ease of doing business and regulation

Ease of doing business

Rankings 2012

- Chile 37
- Peru 43
- Colombia 45
- Mexico 48
- Argentina 124
- Brazil 130



Source: IFC/World Bank Easy of Doing Business 2012 Rankings; at www.doingbusiness.org

Austrade strategy

Austrade seeking to maximise the value of its resources by focusing on the region's major, market oriented economies which present the greatest potential for contestable opportunities:

- Brazil – 7th largest economy globally (IMF), G20
- Mexico – 14th largest economy globally (IMF), G20, APEC, TPP, Pacific Alliance
- Andean Latin America
 - Colombia – Pacific Alliance
 - Peru – APEC, TPP, Pacific Alliance
 - Chile – Australia-Chile FTA, APEC, TPP, Pacific Alliance
- On a reactive basis in niche markets, eg Uruguay & Central America

Sectors of focus

- Mining – engineering, technology, and services (METS)
- Education, including training & skills
- Infrastructure, including major sporting events
- Clean energy, environment and water
- Agribusiness and food security
- Financial and professional services
- Investment

Mining – engineering, technology, and services

- Australia's economic relationship with Latin America remains dominated by mining and resources.
- Australian-listed companies are significant investors in the region, with many major having operations in the region, for example BHP Billiton, Rio Tinto, Xstrata Copper, and Xstrata Coal.
- Many of these companies prefer to replicate their existing supply chains in these markets opening opportunities for Australian suppliers of mining equipment, technology and services (METS).
- In addition, Austrade is assisting Australian suppliers to engage with international miners operating in the region as well as major local companies such as Vale (Brazil), CODELCO (Chile), Antofagasta Minerals (Chile), and Buenaventura (Peru).
- **Buy Australian at Home & Abroad (BAHA) mission to Colombia** – Austrade is currently supporting an Australia supplier mission to Colombia under the BAHA program.

- Promoting Australian education, training and skills is a key element of Austrade's work in Latin America.
- Austrade has successfully launched the *Future Unlimited* education brand including Study in Australia websites in Spanish and Portuguese.
- In 2012 over 32,000 students from Latin America enrolled in educational institutions in Australia, including more than 5,500 in Victoria.
- **Science Without Borders**
Austrade is working with education institutions to attract students under this Brazilian scholarships program.
- In 2012, Chilean Minister for Labour, the visit has spurred the creation of a Chilean Mining Industry Skills Council which is looking to access a range of Australian training services.



Major Infrastructure & Sporting Events

- Brazil's host of the **2014 FIFA World Cup** and **2016 Rio Olympic Games** is creating opportunities for Australian companies that have strong capabilities, including in architecture and design; planning; stadia management; event planning; equipment and services; and associated infrastructure technologies.
- Austrade has been worked with the Industry Capability Network (ICN) in Victoria to develop opportunities for Australian companies in this sector and has assisted more than 50 companies to date.
- Austrade has organised missions for Brazilian officials to view Australian sports and infrastructure facilities and meet with Australian companies.
- Austrade has also supported missions of Australian companies to Brazil to promote Australian capabilities in sports and related infrastructure, sports technologies, project management and athlete facilities.

Forthcoming missions and events

- Mining & Resources
 - Latin America Down Under, Sydney (May)
 - Exponor, Antofagasta, Chile (June)
 - Extemin, Arequipa, Peru (September)
 - Exposibram, Belo Horizonte, Brazil (September)
- Environment and Water
 - Latin America Water Week, Chile & Peru, Santiago (March)

Austrade's presence across Latin America



Austrade marketing specialists working together with you to identify opportunities and help position you to demonstrate your expertise.

Latin America Leadership Team

Andean Latin America



Crispin Conroy,
Senior Trade Commissioner,
Bogota



Daniel Sullivan,
Trade Commissioner,
Santiago



Daniel Havas,
Trade Commissioner,
Lima

Education



Sofia Pereira,
Education Commissioner,
Santiago

Brazil



Kym Fullgrabe,
Senior Trade Commissioner,
Sao Paulo



Sheila Lunter,
Trade Commissioner,
Sao Paulo

Mexico



Radek Divis,
Senior Trade Commissioner,
Mexico City

Austrade's great strength is its sustained on-the-ground presence in offshore markets

- We can identify opportunities for you
- We can qualify those opportunities
- We can develop a comprehensive visit/contact program for you
- We can brief you in-depth on the market and the companies involved
- We can interpret the business climate and local commercial practice, and provide language support as well
- We can set up and accompany you on your appointments
- We can remain your “eyes and ears” on the ground and provide practical support and on-the-spot assistance in establishing your market presence.

Contact Austrade

The **Australian Trade Commission (Austrade)** is the Australian Government's trade, investment and education promotion agency. With a network of offices in over 50 countries, Austrade assists Australian companies to grow their international business, attracts productive foreign direct investment into Australia and promotes Australia's education sector internationally.

For more information visit:

- www.austrade.gov.au
- www.australiaunlimited.gov.au

If you are new to export try our **International Readiness Indicator**
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If you would like to read about how to export visit www.austrade.gov.au/export

To contact an Austrade adviser call **13 28 78** or email info@austrade.gov.au



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