

# Don't ignore opportunities in Latin America

The continent is an emerging business powerhouse, writes **Peter Beattie**.

**L**atin America is rapidly becoming a new mini-China, and Australian companies can't afford to miss out on the opportunities on offer.

These will be accelerated over the next six years as the eyes of the world focus on Latin America for the staging of the two biggest sporting events in the world.

The 2014 Soccer World Cup will be held in Brazil. Two years later, Brazil hosts the 2016 Olympic Games in Rio de Janeiro.

As we saw in Germany for the previous World Cup and in Olympic cities such as Sydney, Beijing and now London, these events act as giant economic stimulus programs, spurring large-scale construction and infrastructure expansion. They generate investment and mean enormous opportunities for Australian companies with proven experience in this area.

Australian mining companies such as BHP Billiton and Rio Tinto, plus smaller players, including Austin Engineering, Mincom and Groundprobe, are already in Latin America. With these two events on the horizon, more Australian companies should be there.

It's widely accepted that the key Latin American economies of Brazil, Colombia, Chile and Peru navigated the treacherous waters of the global financial crisis better than most. Each is looking at positive gross domestic product growth.

These four countries have generally stable political and economic environments and are increasingly looking to open up to the world with effective pro-foreign investment policies.

The resilience of Latin America and its future prospects is highlighted in the region's strong and profitable airline sector.

Avianca, the flag carrier of Colombia, is planning a float (it's privately owned by Brazilian oil and gas conglomerate Synergy). It is also taking over the established and well-respected El Salvador-based TACA airlines, which serves much of Central America.

The combined Avianca group will have a revenue stream of at least \$2.3 billion, making it the fourth-largest Latin American airline group after TAM (Brazil), LAN (Chile) and Gol (Brazil).

TAM, LAN, Gol and Panama-based Copa are all listed on the New York Stock Exchange. All four, and Avianca, are profitable despite the global financial crisis and in stark contrast to airlines in the United States, Europe and Asia where carriers are making record losses.

The robust success of Latin

American aviation is underpinned by strong intra-Latin America traffic, the strength of the Latin American economies and their currencies versus the US dollar. The airlines are well run and take advantage of the emerging middle class in Latin America.

Australia is excited about opportunities in China and India, and with good reason, but Australia needs a balanced portfolio of investments and a diversified approach to exports that must include Latin America.

## **Brazil has undergone a significant move towards modernisation.**

Brazil, Chile, Colombia, Peru and Mexico all have significant mining industries and are compatible with the expertise and skills of Australia's mining services companies. Opportunities extend beyond mining: as outward looking countries, they have a strong desire for improved and expanded infrastructure. This translates into opportunities for companies with expertise in ports (land and sea), rail, road, tunnels, rapid transit systems and smart ticketing technology. Opportunities also exist in energy, education, agriculture and tourism. And all of these countries support public-private partnerships.

Brazil has undergone a significant move towards modernisation, driven by a more liberal trade regime, deregulation and privatisation, and a population approaching 200 million. The B in BRIC (the others being Russia, India and China) says to the world that Brazil is becoming a world economic player that Australia cannot afford to take for granted.

Brazil's need for new equipment and the development of new mines and exploration will increase significantly in the next few years.

An emerging area is the energy sector in Chile. With gas becoming harder to get, Chile is looking to build as many as six new coal-fired power stations. These will require state-of-the-art cleaning technologies and will be adaptable to any Australian clean coal technology.

Colombia is strong in mining and infrastructure development: new ports are being built and existing ports are being upgraded on both the Atlantic and Pacific coasts. New rail lines and highways to transport goods to these ports are planned. Australian companies are well placed to be part of building the new Colombia but we need to expand our presence to ensure we get first-mover advantage.

Security concerns have acted as a barrier to trade and investment in Colombia but under the leadership of President Alvaro Uribe, a new and

vastly safer Colombia has emerged. The President has deservedly won international acclaim for his efforts to curb narco-terrorism, with risks increasingly confined to remote jungle areas in the south of the country. I have visited Colombia five times and never felt unsafe.

Peru is rich in opportunities in the mining sector. Large infrastructure projects, particularly ports, are also being rolled out or are on the drawing board and there are opportunities in education and tourism.

Compared with the other key Latin American countries, Mexico has struggled the most with the global financial crisis. Its economy was hit harder and is taking longer to recover. But there are tentative signs of a turnaround, which means the world's 12th-biggest economy should not be ignored or underestimated.

Driven by a population of more than 110 million, Mexico is actively pursuing a program designed to reduce its reliance on the US as a trading partner.

Whether it's aviation, mining and mining services, infrastructure, education or tourism, Latin America is doing well and can't be ignored.

If Australian companies don't take advantage of these opportunities other countries will.

■ *Peter Beattie is Queensland's trade commissioner to North and South America.*