Argentina’s revival brings new opportunities for Australian exporters

This article was written by Shannon Powell, Austrade’s Santiago-based Senior Trade Commissioner for the ANDEAN Region

Argentina is one of the largest and most developed markets in Latin America, and a land of significant untapped potential for Australian goods and services.

Business-friendly reforms underway by the current government, led by President Mauricio Macri, are also opening the door to new opportunities for Australian companies of all sizes.

Reforms already implemented include the removal of taxes on exports and currency controls on the dollar, as well as resolving the country’s foreign debt disputes to open access to international credit and solicit greater foreign direct investment.

The reform agenda is set to continue following the government’s sweeping victory in the mid-term elections on October 22nd. The “Let’s Change” coalition, led by President Macri, won the top five population centers of City of Buenos Aires, Buenos Aires, Cordoba, Santa Fe and Mendoza. No single party has won all five in mid-term elections since 1985.

The government’s efforts to modernise Argentina’s large agriculture, mining and energy sectors create significant opportunities for Australian businesses to share their world-leading business expertise and help develop these industries. Other areas where investment, technology and upskilling is needed include infrastructure, education and the digital economy.

Argentina’s economy

Much like Australia, Argentina is blessed with a wealth of natural resources. The production and export of these resources (particularly agricultural products) contribute to Argentina’s standing as the third largest economy in Latin America and the 21st largest in the world.
Argentina is one of the world’s largest agricultural producers and a leading exporter of beef, citrus fruit, soybeans, honey, sunflower seeds, maize and sorghum, among other commodities.

Argentina also boasts the world’s fourth-biggest shale oil reserves and the second-biggest shale gas reserves. In addition, the country has significant deposits of gold, copper, lead, zinc, natural borates, bentonite, clays, and construction stone, and is the world’s third-largest lithium producer, accounting for almost one-fifth of global production.

Despite these strengths and natural advantages, access to the foreign capital and technology necessary to fully tap into Argentina’s agriculture, energy and resource sectors has been inhibited due to economic and political uncertainty over the past decade.

**Agriculture**

Argentina produces enough food to feed 400 million people and aims to increase this figure to 600 million in the next few years. It aims to become “the supermarket of the world”, catering to growing international demand with a diverse range of agricultural products.

To do this, modernisation and significant investment is required to upgrade machinery and technology. In addition, the rising costs of seeds, agrochemicals and fertilisers mean that modern and innovative agricultural technology offering efficiency gains, cost savings or improved yield quality may find strong potential in Argentina.

**Cyber security**

Cyber security is a growing concern in Argentina with the expansion of e-commerce and online government service delivery. Australia’s reputation for being at the forefront of developments in online safety and security, and its robust legislation, advanced law enforcement capability and rigorous policy development, provide Australian firms with a competitive edge in the Argentine market.

**Digital economy**

Innovation, technology and the digitisation of processes and services are transforming the way we do business around the world and Argentina is no stranger to this. Digital transformation and disruptive technology will play a big part in modernising and growing the Argentine economy, especially when it comes to boosting productivity, efficiencies and competitiveness. Austrade is riding the innovation wave and facilitating links between the innovation ecosystems in Australia and Argentina to provide international exposure and opportunities across agtech, METS (mining equipment, technology and services), fintech, medtech and gamestech, amongst others.

**Education and training**

The Argentine population is one of the most educated and qualified in Latin America. The country has a 98.1 per cent literacy rate and a school life expectancy of 17 years – on par with Germany, South Korea and the United States.

However, the Argentine government recognises the need to upgrade the country’s vocational education and training (VET) skills by introducing training and qualification frameworks similar to those in place in Australia.

**Infrastructure**

Infrastructure is another key component of Argentina’s modernisation efforts and a key priority of the incumbent government. They aim to improve on the country’s transport infrastructure to facilitate export-oriented growth and productivity. Upcoming projects include a series of transport tunnels under the Andes mountain range to increase export volumes between Argentina, Brazil, Chile, Paraguay and Uruguay. These tunnels would also facilitate Argentine exports through Chile’s Pacific ports.

Improvements to rail infrastructure are also being considered to increase mining activity and investment. Australia’s strong and world-leading capabilities in rail infrastructure are likely to be in demand, particularly in logistics and across all stages of rail freight projects, from research and development, to planning and design, operation and maintenance, and safety management.

**Resources and energy**

Australia and Argentina are both mineral-rich nations with similar geological and environmental landscapes. Australian mining firms are experienced in operating in harsh conditions similar to Argentina where mining operations are predominantly located in the country’s rugged western region, abutting the Andes mountain range.

There is potential for Australian investment, technology and expertise to assist Argentina modernise its mining industry by tapping untouched reserves and ensuring the benefits of the country’s resource wealth translate into economic advancement. Of the 750,000
km$^2$ of the country that can reasonably be assumed to contain viable mineral deposits, just 25 per cent of this land has been awarded in concessions. According to Argentina’s Mining Secretary Daniel Meilan, 90 per cent of projects on the land are still in their early stages, while less than 4 per cent of the land currently hosts operating mines.

Further exploration and development of the country’s mineral reserves will create extensive opportunity for Australian mining firms, and in particular METS providers. Australian companies in mining systems and technology, and lithium production have a large opportunity to leverage their capabilities in Argentina.

There is also demand for automation technologies that increase efficiencies, and modelling and analysis software that identifies performance improvements and best practice.

**Sustainable mining**

Concern over environmental degradation and a perceived lack of economic benefit to local communities has historically bred opposition to mining operations in Argentina. These concerns have led to restrictions on mining activities being imposed in seven provinces. It also generated a demand for Australian expertise in sustainable mining, from local community engagement to environmental management.

**Water and irrigation management**

Argentina is challenged with expanding and modernising its water irrigation system, which currently serves just one-third of its potential agricultural land. To address this and provide resources to the most water-intensive sector of the Argentine economy, Argentina plans a US$7 billion investment to double the country’s irrigated agriculture area. This is expected to create 4.3 million irrigated hectares by 2030, as well as increase the productivity of the 2.2 million hectares currently without irrigation by 50 per cent.

Australia is well-positioned to capitalise on this irrigation expansion program, given its internationally renowned and innovative water management expertise and technology.

Australian companies interested in opportunities in Argentina may contact our Austrade office at infoargentina@austrade.gov.au or visit the Austrade website to learn more about doing business in Argentina.

**Winners of 2017 Business Excellence Awards**

Moly-Cop, Macquarie University and Intermodal Solutions (Group) Pty Ltd took out the 2017 Australia Latin America Business Excellence Awards that were presented by the Minister for Foreign Affairs, Julie Bishop, in Sydney on November 30.

The Australia Latin America Business Excellence Awards were introduced in 2002 to acknowledge outstanding performance by Australia companies, institutions and individuals in doing business with the markets of Latin America.

Now in their 18th year, the Awards continue to be sponsored exclusively by COALAR and have grown significantly in prestige. They have been presented to a growing list of companies and individuals that have excelled in their dealings with Latin America.

The 2017 Awards were presented at the annual Sydney Dinner of the ALABC, which this year was held at the Four Seasons Hotel on Thursday, 30 November and was attended by over 150 guests. They were presented by Foreign Minister Julie Bishop, who was the dinner guest of honour and keynote speaker.

The ALABC Committee responsible for judging this year’s awards had quite a challenge to select the winners from amongst a strong field of quality applications. In the end, the success and commitment to the region shown by the winners made them worthy recipients of the 2017 awards.
Winner of the Award in the Large Enterprise category: Moly-cop ([http://molycop.com/](http://molycop.com/))  
Award presented to: John Barbagallo, CEO (pictured right)

Moly-cop is a leading global supplier of grinding media that is critical for mineral extraction and processing, particularly in the copper and gold industries. Moly-cop’s sales in Latin America (Peru, Chile, Brazil, Argentina and Suriname) amounted to more than $600 million in 2017 and represented 43 per cent of the company’s global sales – an increase of some 30 percent in the region over sales for 2016.

Winner of the Award in the Medium Enterprise category: Macquarie University ([www.mq.edu.au/](http://www.mq.edu.au/))  
Award presented to: Guie Hartney, Associate Director International Relations (pictured left)

Macquarie University engages with Latin America through its international arm – Macquarie International – and has enjoyed great success, particularly since 2014, with priority countries in the region (Mexico, Chile, Colombia, Brazil and Peru). Macquarie University has seen a 24 per cent growth in student commencements from Latin America in the last two years and a 60 per cent growth in the number of commercial and research partnerships in the region.

Winner of the Award in the Small Enterprise category: Intermodal Solutions (Group) Pty Ltd ([https://pittoship.com/](https://pittoship.com/))  
Award presented to: Julie Boden, CFO (pictured right)

ISG identified the need for an environmentally friendly, cost effective and secure solution to move bulk commodities and grain from the mine or harvest site to the port and developed a patented bulk container with a removable lid. ISG has been supplying its innovative containers to Latin America (Chile, Peru, Mexico, Argentina, Cuba and Bolivia) since 2013 and its revenue continues to grow strongly from its expanded operations across the region. 90 per cent of ISG’s revenue comes from Latin America.

↑Return to Index

**Australian investment in Brazil, bigger than you think**  
(The following article was written by Greg Wallis, Austrade’s Senior Trade Commissioner in Sao Paulo and was published on 28 November, 2017)

Austrade São Paulo recently completed a comprehensive stocktake of the Australian business presence and investment position in Brazil.

According to ABS statistics, Australia has AUD4.42 billion of FDI stock in Brazil. This makes Brazil the 15th largest destination for Australian FDI stock abroad, and it will perhaps surprise many that this is more than Australia holds in India, Thailand, the Philippines, Korea, or Vietnam (noting that with the inclusion of portfolio investments, the total investments by Australia in those countries are in most cases significantly more than they are in Brazil.)

In spite of Australia’s extensive mining interests in the region, Australia’s FDI stock in Brazil is greater than that in the rest of Latin America combined. Why? Because, unlike much of the region, Australian investments in Brazil are highly diversified beyond those in the
In addition to iron ore production and petroleum exploration, Australia has made big investments in renewable energy, logistics, online services, manufacturing, agribusiness, financial services, insurance and fashion retail in Brazil. Macquarie, QBE, Goodman, BHP-Billiton, Brambles, Seek, carsales, CottonOn, NuFarm, Karoon, Ansell, Amcor and Pacific Hydro are some of these major investors.

Brazil was the sixth biggest recipient of FDI inflows globally in 2016 (Australia ranks 9th) with more than USD50 billion, even in the midst of the recession. 2017, on current predictions, will see a lot more. No-one would suggest that it's an easy environment for investors; it has a heavy bureaucracy and a taxation regime that is mind-boggling in its complexity that drive its Ease of Doing Business position to a dismal 125th globally. Nevertheless, companies with global reach, usually dominant in their sector in Australia and that can allocate the time and resources to overcome the entry pains, can and do succeed in Brazil.

Major Australian corporations invest in Brazil because it is an agricultural, resources and manufacturing power, and because it is the world's ninth biggest economy with a consumer market of some 140 million. In spite of the deep and protracted recession that Brazil has endured since 2015 and from which it has only recently emerged, the country has relatively high purchasing power levels which drive demand in the domestic services, retail and online sectors.

Brazil is not easy to sell to Australian corporates. Relatively few of our major companies that are established in the US, Europe and Asia have taken the plunge into Brazil. Australian companies understandably prioritise these markets because they are easier and closer. But if you accept that to be truly global means you also need to be in a market as big as Brazil, there is a lot of upside to this story from an Australian investment perspective.

It will take a return to sustained growth and the accompanying optimism about the future of the country for this to happen, and that scenario appears to be unfolding. The Industrial Entrepreneur Confidence Index in Brazil rose for the fourth straight month in November, and GDP growth of between 1.5% and 2.3% is predicted for Brazil in 2018. A long way from the heady days of 7.5% growth in 2010, and an unpredictable election is coming in 2018, but these are the best numbers since 2013. For Australian corporates Brazil may now be worth another look.
Chairman’s Message

2017 will be remembered as an important year in Australian-Latin American relations due, in part, to the successful negotiation of the Free Trade Agreement with Peru, the commitment to negotiate an FTA with the Pacific Alliance and an acknowledgment in the Foreign Policy White Paper that Latin America is relevant to Australia’s interests and therefore does feature in our strategic thinking.

Combined with the many other initiatives that took place during the year and have strengthen the relationship, we can look back on the year with some satisfaction and look to 2018 with optimism that these gains will be consolidated and expanded.

Whilst giving thanks for all that has been achieved in 2017, I look ahead with a long list of wishes in hand for what the future could bring. Featuring prominently on the list is a genuinely bilateral prime ministerial visit to the region, accompanied by the largest possible business delegation if circumstances permit.

Australian prime ministers have visited the region, but always to attend meetings of APEC Leaders or global events such as the Rio+20 Conference in the case of then Prime Minister Julia Gillard in 2012. With Argentina hosting the G20 in 2018, it is likely that we will see another prime ministerial visit to the region next November.

Whilst these visits are helpful, what is needed to take Australia’s relationship with Latin America to the next level is for our prime minister to make a visit to the region that is specifically about the region and not about fulfilling our obligations to APEC, the G20 or other multilateral institutions. We have received comparable visits by the leaders of several Latin American countries, but have yet to reciprocate. The sooner we do the better.

As the Foreign Policy White Paper states, Australia rightfully needs to prioritise its engagement with the Indo-Pacific region. However, where does the Pacific component end? If the definition of ‘Pacific’ extends to the USA and Canada - as it appears to do, why should it not also extend to each and every one of the Latin American nations that similarly have coastlines on the Pacific? Even if this contention is rejected, Latin America warrants greater attention from Australia both for what it has to offer us in its own right and for its growing relationship with China and the implications that this may have for our trade and investment links with China.

Australia’s economy is heavily reliant on our ability to export commodities to China and to attract FDI from China. It is therefore important to note that China has a growing stake in the markets of South and Central America, both in terms of locking up supplies of raw materials and bankrolling the region’s infrastructure. China is Latin America’s biggest lender and single investor, having made more than 70 loans worth around US$140 billion to Central and South America since 2009. It has injected more than US$10.8 billion in 17 different mergers and acquisitions in the region from January to October. China is clearly hedging its bets on sourcing what it needs.

Australia needs to have a plan for how it will respond to this Chinese diversification and that plan should not be to simply classify Latin America as a competitor, but rather to explore how we can engage with Latin America to develop joint initiatives for dealing with an increasingly dominant China. Our focus should be on increased dialogue and co-operation, a search for synergies and our own investment into Latin America to help build its infrastructure and to strengthen its institutions.

The end of 2017 also marks the departure from the Australia-Latin America arena of two outstanding contributors, namely, Chris Rodwell, whose term as Austrade’s Senior Trade Commissioner to Mexico has ended, and Richard Neumann, whose second stint within the America’s Division of DFAT has also ended.

During his time in Mexico, Chris has been a tireless worker for championing the merits of Mexico to Australian business. His efforts have been rewarded with an influx of new Australian companies into the market and a far greater appreciation in Australia of what Mexico has to offer. In the case of Richard, he has worked largely behind the scenes but been pivotal in helping to bring about many initiatives that have helped to strengthen the Australia-Latin America relationship. Our Council is certainly in his debt for all that he has done to assist us.

Change is constant and Chris and Richard are the latest in a long line of individuals that have made their mark in furthering the interests of Australia-Latin America relations. They have set their respective bars high and we thank them for their valuable contributions.

Likewise, we thank each and every entity and individual that has added their contribution to the cause and to the ALABC. Without the support of our Patrons, members, sponsors and strategic allies, we could not have achieved all that we have. My thanks also to my fellow directors and to our secretariat manager, all of whom deserve praise for their tireless work.

On behalf of all at the ALABC, we wish to a wonderful festive season and a great 2018, filled with good health and much happiness.

Jose Blanco - Chairman, ALABC
2017 Sydney Annual Dinner

The Sydney Dinner of the ALABC was held at the Four Seasons Hotel on Thursday, 30 November and was attended by over 150 guests. Guest of honour and keynote speaker was the Minister for Foreign Affairs, Julie Bishop.

The dinner was sponsored by Latam Airlines (Gold), Moly-Cop (Silver) and BHP (Bronze) and featured the presentation of the COALAR-sponsored Business Excellence Awards.

Gold Sponsor

![Latam Airlines](image)

Silver Sponsor

![Moly-Cop](image)

Bronze Sponsor

![BHP](image)
I often consider my good fortune to be an ambassador to a country as intriguing and welcoming as Mexico. Being part of a profound change in relations between one’s country and one’s host, however, is far more fortunate and professionally rewarding. That has been this year’s story.

The signing of the historic contract between BHP and Pemex in March this year was a watershed in the bilateral relationship. The introduction of Mexico’s energy reforms in 2013 paved the way for the ‘big Australian’ to become Pemex’s first overseas partner, a relationship that will bring the technology and skills required to exploit the deep-water Trion field in the Gulf of Mexico. Mexicans and Australians will benefit directly from this partnership, which more broadly will lay the foundation for a deeper commercial relationship between our countries.

BHP’s entry into Mexico this year is just one of many such cases involving major Australian companies. Since 2010 Australian investment in Mexico has risen from around $200 million to more than $6 billion, and that figure is set to keep rising almost exponentially. Australian firms are invested in roads, telecommunications, energy generation, education, industrial and commercial real estate, agriculture, health, mining, manufacturing and the digital economy.

Reflecting the importance of this diverse bilateral commercial relationship, Australia’s Minister for Trade, Tourism and Investment Steven Ciobo visited Mexico in October, bringing with him the biggest Australian trade delegation ever to visit Mexico. The visit highlighted the synergies between our two countries’ economies and the great potential to increase two-way trade and investment.
flows. Minister Ciobo participated together with Economy Secretary Ildefonso Guajardo Villareal in a panel discussion on 'The Future of Trade', in which the ministers discussed the trade and investment relationship as well as the international trading environment.

A Free Trade Agreement (FTA) encompassing our two countries will enrich our ties and reaffirm the benefits of liberal trade and investment regimes. I am pleased, therefore, that 2017 saw us continuing work towards a TransPacific Partnership (TPP) while beginning negotiations on an FTA between Australia and the countries of the Pacific Alliance (PA). The first round of PA talks took place in October and will continue in early 2018. The PA encompasses 38 percent of the total GDP in Latin America, 50 percent of the total trade and 45 percent of all foreign direct investment in the region. Expanding this arrangement to include the world’s twelfth largest economy, as well as other new partners, would create new opportunities for all concerned and boost growth in our economies.

The first ever visit of an Australian Justice Minister to Mexico also highlighted the growing importance that Australia attaches to Mexico. In a globalised world, Australia and Mexico must and will be allies in combating transnational crime. The successful meetings with civil security agencies brought together ideas on combating drug crime, human trafficking, and other scourges that affect both of our societies. This visit marked the opening of an Australian Federal Police Liaison office that will deepen our government-to-government ties.

Looking ahead to 2018, our two countries will continue to argue strongly against global protectionism in such fora as APEC and the G20, while working towards an FTA and facilitating more two-way investment. We will expand our cooperation in the fields of education and training, opening up a new office within the embassy to boost ties between institutions and increase the flow of student and research exchanges. We will strengthen our joint efforts against our shared transnational criminal targets. And we will continue exploring new areas for greater cooperation that will not only generate practical benefits for us both, but also highlight that the expanse of the Pacific Ocean is no barrier to closer bonds between two nations whose interests now increasingly intersect.

Argentina announces G20 agenda priorities

At the launch of the Argentine Presidency of the G20, President Mauricio Macri presented the three issues earmarked as key priorities for the G20 meetings over the course of the year: the future of work, infrastructure for development, and a sustainable food future.

The future of work looks into “unleashing human potential”, stated President Macri. “Technology is quickening productivity at an unprecedented rate, which presents both opportunities and challenges. We want to ensure that adopting technological advances does not lead to economic exclusion or other negative side effects,” he explained.

“We must ensure that any new wave of technological advances is as inclusive as possible, and this requires considerable investment in training so that citizens have the skills they need for work and life. We need to forge the opportunities and skills which prepare our people for this transformation, starting now.” he added.

The second priority chosen by Argentina is infrastructure for development. “Investment in infrastructure spurs growth and productivity. It also generates better physical and digital access that allows us to take advantage of future opportunities,” specified President Macri.

One of the proposals under this priority will be greater participation of the private sector. “We will seek to develop infrastructure as an asset to channel today’s savings into transport, sanitation, energy and connectivity,” he outlined.

The third priority is to build a sustainable future for food security. “Agricultural lands are the natural resource that produces most of our food, but they are limited and non-renewable. Their preservation is crucial. This is where the G20 can lay the groundwork for more public-private partnership,” said the President.

In addition to these priorities, the President affirmed that the Argentine G20 presidency will continue the legacy of previous presidencies. “We will boost the work already carried out on issues such as gender equality, the fight against corruption, strengthening financial oversight, and caring for the environment, among others,” he explained.
The healthcare data revolution in Latin America

From the internet to WiFi to smartphones, technology is revolutionizing virtually every aspect of our lives. And its impact on healthcare has been arguably even more significant. The rise of electronic medical records (EMRs), telemedicine and other technologies have made patients more connected to their care, and hospitals more connected to one another, than ever before. The ability to share and exchange data at the blink of an eye has certainly made health care more efficient, and that’s ultimately better for both the facilities and their patients.

Latin America Rising

Though Latin American has been a bit behind some other nations in the adoption of some of the components of this data revolution, they have made up major ground in recent years. For example, countries such as Mexico, Brazil, Peru, Chile and others now have national EMR systems. Chile boasts a rate of 73 percent adoption of EMRs in its hospitals, while Uruguayan hospitals have a 63% adoption rate for EMRs and more than half of Colombian hospitals (51%) also have added this high-tech records-keeping system. Telemedicine is also growing business in Latin America.

This cutting-edge tool that lets doctors in one facility, sometimes around the world, diagnose and treat patients in another facility has become a $2.5 billion business in Latin America, and the rates continue to grow.

Two other critical components of the healthcare data revolution in Latin America are PACs (picture archiving and communication systems) and RIS (radiology information systems).

These two systems can help facilities streamline their electronic imaging technologies and easily share the data between healthcare teams at one facility, or even between different facilities. This is a growing market that has major room for growth in Latin America.

Colombia – A slow recovery is on the way

(This article was published in LatinNews on 8 December, 2017)

Colombia’s GDP grew by 2.0% year-on-year in the third quarter, according to the national statistics agency (DANE). Although this was below government expectations, Finance Minister Mauricio Cárdenas nevertheless welcomed it as part of a first phase of economic recovery.

The economic team expects growth to pick up to 2.5% in the fourth quarter, which would imply that growth for calendar 2017 as a whole will come in at 1.8%, a little below the earlier official target of 2.0%. The government continues to project 3.0% GDP growth for 2018. A range of analysts say there are questions about the pace of recovery.

Mauricio Hernández of BBVA Research notes that the Q317 results are mixed, with agriculture leading the field, partly because of a good coffee harvest. Manufacturing, on the other hand, has been weak. Stripping out agriculture’s contribution, growth would have been a lower 1.6%. However, Hernández adds that the beginnings of a positive turn-around in housing and construction are evident. While he believes that the economy is now turning onto a growth path, he warns that recovery will be slow and market sentiment volatile. The Central Bank, meanwhile, has warned that the recovery is subject to ongoing risks over the availability of foreign finance, possible export commodity price falls, and any downside movements in consumer or business confidence.

Trade with EU

The European Commission (EC) report on 9 November released a report which found that its free trade agreements (FTAs) signed with Peru and Colombia have helped stabilise two-way trade.

According to the report, since the FTAs with Peru and Colombia came into full effect in 2013, bilateral trade between the EU and Peru has fallen by 11% and bilateral trade between the EU and Colombia has fallen by 23.5%.
However, the report attributes this to the “economic slowdown in Latin America and the fall in commodity prices on the global market, which has affected exports of both countries”, and it notes that the FTAs with Colombia and Peru had a stabilising effect on international trade in these two countries, as their trade with the rest of the world has fallen by 36% and 18% respectively since 2013. In both cases, the fall in trade with the rest of the world was higher than the fall in trade with the EU.

The report goes on to suggest that without the FTAs Colombia and Peru’s fall in trade with the EU between 2013 and 2016 is likely to have been even greater. The FTAs with the EU were resisted by some quarters in both Peru and Colombia, which argued that they would prove to be detrimental for some local economic sectors and more beneficial to the EU.

Significantly, the EC report provides some evidence in support of that view, noting that EU exports to Colombia increased by 18% during the first two years of the FTA coming into force and declined by 17% in 2016. Meanwhile, EU imports from Colombia fell by 37.5% since the implementation of the FTA. Similarly, EU exports to Peru increased by 4% since the FTA came into effect, whereas imports from Peru fell by 4% over this period.

Opinion: Argentina deserves a chance to join OECD

This fall, Argentine Foreign Minister Jorge Faurie was in Paris for a meeting of the Council of Ambassadors of the Organization for Economic Co-operation and Development, or OECD. While Argentina is not a member, or even a candidate, Faurie was ubiquitous, marketing his government as a future member of the world’s most elite club.

The Argentine government is desperate for a shot at OECD membership, and in Paris, Faurie assured members that Argentina had embarked on a “confidence-building process.” That confidence will be critical, given Argentina’s tumultuous history of whipsawing between growth and recession, between statism and open markets. Sure President Mauricio Macri is a multimillionaire and a Davos regular, but his predecessor was a pro-Russia firebrand hostile to investors. So while Macri’s agenda has raised expectations worldwide, investors are understandably sceptical that Argentina will stick to this path.

But it is precisely Argentina’s volatile history that should have made it appealing to OECD members when they gathered Friday for yet another inconclusive discussion on possible expansion. After all, its pursuit of membership -- a lengthy process that has all the charm of a colonoscopy -- is designed to cement Macri’s transformative policies, including the elimination of capital controls and export taxes. For that reason, and given the size of the Argentine economy and its influence in Latin America, the OECD should allow Argentina to begin the process for membership.

The OECD was founded in 1961 to share lessons learned during the Marshall Plan about running an open-market economy and a liberal democracy. It has grown to include 35 members across five continents, and its principal goal is to "promote policies that will improve the economic and social wellbeing of people around the world." Sometimes referred to as the “developed countries club,” it spreads the gospel of sound economic policy and good governance. The United States in particular has found it to be an important channel for advancing U.S. values and policies and creating a level playing field for U.S. businesses.

But the OECD has a second, equally important job: solidifying its recommended policies in its own member countries. The national policies of members are regularly judged against OECD standards for compliance. That is why after the Cold War, OECD membership expanded to Eastern European nations that wanted to fortify their transitions to market economies. That bet paid off; these former Soviet republics have sustained their economic models for two decades.

The OECD could offer Argentina the same service it performed with Eastern Europe. The organisation’s peer review mechanisms could help make Macri’s transformative economic reforms permanent -- all the more if OECD membership gives Argentina’s economy a boost. Unfortunately, the OECD is harder than ever to join. Discussions on potential invitations to six countries -- Argentina, Brazil, Bulgaria, Croatia, Peru, and Romania -- are stalled in Paris as members grapple with the character of these governments and the potential challenges of preparing new candidates for membership. The Europeans have demanded a new European member for every non-European candidate. For its part, the United States is cautious about expanding too quickly, given the OECD’s reliance upon consensus for decision-making and what Washington sees as poor leadership by Secretary General Angel Gurría.

There are Argentina-specific concerns, too, primarily that it might swing back to the populist and protectionist model that voters jettisoned when they elected Macri in 2015 and rejected again in midterm elections in October. One only needs to recall the spoiler role
Argentina played in the G-20 under the Kirchners to recognize the danger of how disruptive a single member can be when its values are not aligned with the rest.

The potential for a policy reversal in Argentina is indeed worrisome, but before writing off Argentine candidacy, OECD members should consider the example of Mexico. When the OECD admitted Mexico in 1994, the country had only recently ratified NAFTA, and Zapatista guerrillas were still marauding around Mexico’s south. OECD membership helped institutionalize Mexico’s new fiscal policies and other difficult economic reforms. Today, even a victory by the far-left presidential candidate Andrés Manuel López Obrador would not reverse Mexico’s pro-trade orientation.

The United States is on board with Argentina’s candidacy; U.S. President Donald Trump promised Macri Washington’s support when the two met in the Oval Office in April, and Vice President Mike Pence repeated that commitment during his August trip to Buenos Aires. Behind the scenes, the United States has been reasonably successful in pushing its European partners to consider Argentina’s candidacy, but less so in getting them to withdraw demands for a matching European candidate. Importantly, candidacy is not the same as membership. All Argentina is asking for is to start a multi-year audition, during which it would demonstrate its credentials in the hopes that the OECD helps preserve its historic advances.

Benjamin N. Gedan is a former South American director on the National Security Council and a fellow at the Woodrow Wilson International Center for Scholars and the Council on Foreign Relations. William Schuette is a research assistant at the Wilson Center. The views expressed are the authors’ own.

↑Return to Index

**Analysis:** Latin America’s two trade blocs get a little closer

(Latin America Business Council)

Latin America’s two largest trade blocs, the Common Market of the South (known by its Spanish acronym, Mercosur) and the Pacific Alliance, are taking small steps on the path to convergence. The fall of the left in Mercosur’s two largest economies, Argentina and Brazil, and the U.S. decision to renegotiate NAFTA with Mexico have provided the organizations an opportunity to put aside their differences and move forward on their own trade negotiations.

The Pacific Alliance is composed of Mexico, Peru, Chile and Colombia, whose combined gross domestic products top $2.2 trillion and whose populations total more than 220 million. Their economies are more open to free trade, and they have sought to take advantage of their location on the eastern edge of the Pacific Ocean to expand commerce with Asia. But the bloc wasn’t created just to gain bargaining power in trade negotiations with Asian countries. The alliance was first envisioned in a meeting in Lima, Peru, in 2011, when geographic barriers such as the Andean Mountains were not the only impediments to deeper trade integration in Latin America. The region had clear ideological divisions. On one hand, there were the countries led by Venezuela’s Bolivarian revolution and Mercosur. On the other hand, there was a group led by Mexico and Peru that tried to counter this ideological influence by forming a trade bloc.

The Bolivarian revolution and Mercosur shared some left-wing characteristics, such as anti-U.S. sentiment and trade protectionism. The high point of that relationship came in 2012, when Mercosur included Venezuela as a full member. That was the same year that the Pacific Alliance signed its first agreement. Mercosur countries perceived the creation of that organization by the closest allies of the United States in Latin America as a counterbalance to Mercosur and the Bolivarian revolution. Brazil criticized the bloc frequently and didn’t see its formation as a way to promote trade integration.

**Freedom in the Pacific**

Mercosur was created to form a common market with a common external tariff where all full member countries have a veto power in trade negotiations. But this wasn’t the idea behind the Pacific Alliance. It was based on a free trade agreement among its members, giving them more freedom to negotiate bilateral deals with other countries and economic blocs. And negotiating as a bloc is easier because the Pacific Alliance doesn’t have Mercosur’s rules on consensus. That’s why the alliance’s expansion, for example, doesn’t necessarily lead to more constraints on the foreign trade policies of its members because no rule prevents a country from pursuing a bilateral deal. And the Pacific Alliance is growing. Costa Rica and Panama want to join as full members, and other countries, including some Mercosur members such as Paraguay, have been admitted as observers. In addition, Chile, Peru and Colombia have agreed to integrate their stock markets through the creation of the Latin American Integrated Market (MILA). This is Latin America’s second-largest stock market, behind Brazil’s. The goal is to incorporate Mexico’s stock market as well and make MILA the largest stock market in the region.

www.alabc.com.au
However, the Pacific Alliance hasn’t been able to foster more trade among its members because most of its economies, with the exception of Mexico, are dependent on commodity exports. And no member has another as a main trade partner. Mexico and Colombia are tied to the United States, and exports to China drive trade for Chile and Peru. In Mercosur, Brazil is the main partner for Argentina and Paraguay. Despite this lack of connection, the Pacific Alliance occasionally pulls together to negotiate as a bloc when that gives it an advantage. It is currently holding two major trade negotiations: with Mercosur and with countries in the Trans-Pacific Partnership.

On Dec. 21, the Pacific Alliance will meet with Mercosur in Brasilia, Brazil, where they will discuss the reduction of trade and non-trade tariffs. These talks have benefited greatly from the political and economic changes underway in Argentina and Brazil that have helped reduce the old ideological tensions between the two blocs. In Argentina, President Mauricio Macri has announced a series of economic reforms covering taxes, labour, pensions and trade, while Brazilian President Michel Temer will implement an ambitious plan next year to privatize about 60 state-owned companies. In addition, Mercosur distanced itself from Venezuela by expelling it from the bloc. Member countries argued that Venezuela no longer respected the organization’s democratic principles.

**Powered by the NAFTA Renegotiation**

Another factor helping the Mercosur negotiations gain steam was the U.S. decision to renegotiate the North American Free Trade Agreement (NAFTA). The threat of losing some trade with the United States has forced Mexico, the Pacific Alliance’s largest economy, to look elsewhere. Mercosur is by no means a comparable alternative because the United States is a much larger market and absorbs about 80 percent of its exports. Nonetheless, Mexico could use the bloc to gain leverage in NAFTA renegotiations by threatening to find other sources of agricultural imports, such as corn and soybeans.

In fact, Mexican agribusiness companies and government officials have visited Argentina and Brazil this year to negotiate importing such crops as wheat, soybeans and corn. These negotiations have made some progress. In a first for Argentina, it will export wheat to Mexico in December. The first shipment will be just 30,000 tons, however, as Mexico wants to start with small amounts and examine its quality. However, the goal is to gradually increase the volumes.

The Pacific Alliance is also negotiating with Australia, Canada, New Zealand and Singapore. After the United States withdrew from talks on the Trans-Pacific Partnership (TPP) earlier this year, the Latin American bloc has been trying to open talks with the remaining TPP countries. All the members of the Pacific Alliance, except Colombia, were part of the TPP negotiations. Last month, a round of negotiations with Australia, Canada, New Zealand and Singapore was held in Colombia in which participants reached agreements on services, government procurement and the rules of origin. Another round is set for the first quarter of next year in Australia. These negotiations haven’t included Japan, because it already has trade agreements with Mexico, Peru and Chile and is concluding one with Colombia.

While U.S. decisions on NAFTA and TPP have created new opportunities for the Pacific Alliance, the bloc will continue to face major challenges in fostering trade within the association, because most of their economies depend on exporting commodities to China and the United States. However, the bloc will continue to take advantage of its geographic location and of its economic and trade openness as it strengthens ties in 2018 with other countries that border the Pacific Ocean as well as with those belonging to its counterpart in Latin America, Mercosur.

↑Return to Index
Opinion: A smaller, wealthier Mexico is on the horizon
(This article was written by Richard G Miles and was published by the Center for Strategic and International Studies on 11 December, 2017)

For the past half century, powerful trends have been shaping Mexico’s population, its economy, and its relationship to the United States. Lower birth rates and freer markets have led to a sustained drop in Mexicans moving north to find work, developments that will reshape the immigration debate in the United States. Meanwhile, the passage of the North American Free Trade Agreement (NAFTA) in 1994, combined with Mexico’s entry the same year into the Organization for Economic Cooperation and Development (OECD) has transformed its economy and slowly made its citizens better off. By 2055, Mexico will be smaller, wealthier, and with citizens less prone to leave their country. These fundamental trends may be thwarted by changes of government policies in the United States and Mexico, but they are unlikely to stop for the remainder of the twenty-first century.

Fewer Children, More Divorces
In the early 1960s, Mexican families looked nothing like those in the United States. For starters, they were much bigger. Mexican couples married earlier, rarely divorced, and had far more children than their U.S. counterparts. The number of births per Mexican woman during her childbearing years (the total fertility rate, or TFR) was almost 7 children, compared to less than 4 in the United States and Canada. Mexico’s TFR started plunging in the early 1970s and now stands at 2.2.

While Mexico’s population continues to grow at a slower rate, it is also aging, with the median age climbing to 28 years in 2015 from a low of 17 in 1975. By 2055, the median age will be 44 and almost 30 percent of Mexico’s population will be over 60. By 2065, the total population will start to shrink.

The causes of this rapid decline in the birth rate are many, just as in the United States. Two factors are the simultaneous decline in marriages and steep rise in divorce. Like all the countries of Latin America, Mexico has a marriage rate far below that of the United States, and Mexican divorces have quadrupled since 1994. These are not ideal conditions for larger families.

Mexico’s Economy Opens Up to the World
Mexico’s economy essentially was closed to the outside world until the 1980s. Slowly it began to open up to imports and foreign competition, leading to its debut into the global economy with the start of NAFTA and its entry into the OECD in 1994. By 2016, Mexico was importing over 20 times as much in goods and services as in 1970. The results are palpable, especially in Mexico City and other major Mexican cities. Foreign products, especially from the United States, are widely available, representing a dramatic expansion of consumer choice compared to mid-century Mexico. This includes a wide variety of U.S. food products, which run from Washington state apples to Little Debbie Zebra Cakes. The rise in exports, at over 30 times the 1970 level, is even more dramatic.

However, gross domestic product per capita has increased at only about a third the rate of exports. Mexicans are better off, but trade has not made them rich. In the energy sector, the opening has been astounding. Sheltered from competition for 75 years, PEMEX, the state-owned petroleum monopoly, was (and remains) a model of inefficiency. But constitutional reforms in 2013 allowed other energy suppliers into the market, resulting in a massive increase in natural gas imports from the United States. In the last four years, U.S. pipeline deliveries of natural gas to Mexico have doubled and in 2016 accounted for almost 60 percent of all U.S. natural gas exports. As Mexico converts to natural-gas fueled power plants, this number is likely to go even higher.
Fewer Mexicans Leave for the United States, and More Come Home

About a half-century ago, large numbers of Mexicans began moving to the United States. According to the Pew Research Center, in 1970 there were 760,000 Mexican-born immigrants living in the United States. By the mid-1990s the number of new Mexicans arriving every year hit 500,000 and peaked at 770,000 in 2000. This huge wave was due to several factors: changes in U.S. immigration law; the 1995 peso crisis; and the enormous cohorts of young Mexicans born in the 1960s who were in their prime work years three decades later.

But something started happening in 2000. Fewer Mexicans attempted to cross into the United States and more started returning home. By 2010, the gross number of arrivals (that is, not counting returns to Mexico) had bottomed out at 140,000. (Since 2010, according to the U.S. Customs and Border Patrol, apprehensions on the southwest border have dropped over 30 percent and last year hit their lowest level since 1971. These numbers, however, are difficult to correlate with actual immigrants.) Meanwhile, the flow south increased. From 2009 to 2014, 1 million Mexicans returned home; about 140,000 more than arrived in the United States. More immigrants are now arriving from the Northern Triangle countries (El Salvador, Guatemala, and Honduras) than from Mexico.

Demography Is Destiny

What has caused these trends? Many observers blame the 2007 U.S. housing crash (which led to a drop in demand for construction workers), but the immigrant numbers have been in sharp decline since 2000, so other factors are in play. Not surprisingly, Mexico’s sustained drop in fertility rates over the last 50 years is beginning to directly affect the pool of Mexicans considering immigration to the United States. As a percentage of the population, Mexicans aged 25–49 (those most likely to be looking for work in the United States) will peak in a few years and start a steady decline through the end of the century. (The size of this age group hit its high in the United States about 25 years ago, a lag time almost exactly mirroring the difference in fertility rates between the two countries.) Although short-term dynamics like economic growth and border enforcement will pull the immigrant numbers up and down, there is no way to increase the number of Mexicans born 25 years ago.

Back to the Future? Not Likely

Will these demographic and economic trends continue, and if so, what lies ahead for Mexico and its relationship with the United States? It is, of course, possible that Mexican fertility rates could rise and families could start getting bigger again. But Mexico has undergone (albeit with a delay of several decades) the same wrenching societal changes that occurred elsewhere in the industrialized world. It, and other Latin American countries, are no longer outliers on any measure of family formation or disintegration, be it marriage, divorce, or birth control. If Mexican families start adding children, we will see the same thing happening in North America and Europe and probably for the same reasons. And the populations of almost all of those countries are shrinking quickly.

Two Strikes, Not Out

It is much easier to envision setbacks on trade and economic growth. A U.S. exit from NAFTA, or the election of a statist, market-unfriendly Mexican president, could scare off new investment in both the United States and Mexico and choke off trade. But even those scenarios are doubtful, simply because the countries’ economies have become so deeply entwined since 1994 that they cannot be disentangled by one or even two bad presidents. Our energy sectors, our automotive industries, and our agricultural markets are almost thoroughly integrated. Even in the face of high uncertainty on NAFTA’s future, U.S. manufacturers continue to bet on Mexico. They have little choice but to do so. A post-NAFTA environment would not be easy, but it also would not be catastrophic. Prices would go up, and investment would go down, but the quarter-century relationships would remain.
Elections Matter, But Not Forever

Next year is a big election year, both in Mexico and the United States. Mexico will vote in a new president, and Americans will decide whether to allow President Trump to keep his majorities in Congress. Neither election cycle will improve the U.S.-Mexico bilateral relationship, as the focus returns to “the worst trade deal in history,” the Wall, and the devastating effects of the drug trade on both sides of the border. Meanwhile, the tectonic demographic and economic shifts will continue, giving the relationship more resilience underneath the surface.

Richard G. Miles is director of the U.S.-Mexico Futures Initiative and deputy director of the Americas Program at the Center for Strategic and International Studies in Washington, D.C.

China’s One Belt and Road initiative to inspire Latin America

China’s Belt and Road Initiative should serve as an inspiration to Latin America and the Caribbean, President of the Inter-American Development Bank (IDB) Luis Alberto Moreno said on December 3.

Addressing the opening of the 11th China-Latin America and the Caribbean (China-LAC) Business Summit in Punta del Este in Uruguay, Moreno said "anyone who looks into the initiative will see that it is truly amazing given its scale and goal of integrating countries in different parts of the globe." "The initiative should inspire us in this region as well to speed up our process of integration and thus transform ourselves into a major regional stage," said Moreno.

The initiative China proposed in 2013 comprises the overland Silk Road Economic Belt and the 21st-Century Maritime Silk Road, seeking to revive and expand the ancient Silk Road trade routes and connect Asia, Africa and Europe through better infrastructure, greater trade and enhanced people-to-people exchanges.

According to Moreno, there are elements of the initiative that Latin America can adopt, such as creating a regional free trade zone. An LAC free trade area is a goal "we can and must reach," said Moreno, noting the integration of subregional trade blocs like the southern cone's Mercosur (Southern Common Market) and the Pacific Alliance, which gathers Pacific facing countries, can help.

"The increasing proximity between Mercosur and Pacific Alliance countries should encourage us to continue working to attain that goal," said Moreno.

As for China, the IDB head said the Asian giant "is highly likely" to surpass the United States as a leading investor in the region, and that "it is preparing to make the great leap to becoming the world's largest economy." "We hope that more business meetings take place to deepen ties with China," Moreno said.

Brazil opens areas for exploration and production of oil and gas

Brazil's National Agency for Oil, Natural Gas, and Biofuels (ANP) announced on December 5 the areas for the exploration and production of oil and natural gas to be made available as part of a new, permanent-offer system. The move covers 846 blocks of 13 sedimentary basins, adding up to some 285,400 square kilometres.

Also offered are 15 areas with marginal accumulations in three land basins. The areas with marginal accumulations are located in the states of Espírito Santo, Rio Grande do Sul, and Bahia, ANP explained.

The decision entails the continuous offer of oil fields that have been returned or are in the process of being returned, blocks not offered in previous bids, as well as blocks not acquired in previous rounds.

Further details regarding participation rules and technical and economic parameters, as well as when the offer is to be made, are expected to be unveiled by ANP by April next year.

ANP believes the move represents an important step towards the resumption of oil and gas exploration and production in Brazil.

“The initiative of offering opportunities to companies of different types and sizes is part of a set of measures being implemented in a bid to promote the development of a diversified, dynamic, and competitive sector in all of Brazil’s exploration environments: pre-salt, conventional sea, and land,” a note issued by the agency reads.
Chile turns to Piñera to lead economic recovery
(This article was written by Benedict Mander and was published in the Financial Times on 18 December, 2017)

Sebastián Piñera, Chile’s billionaire former president, won the presidential election on Sunday, returning to the office he held from 2010-14 in the latest swing to the right in Latin America. The 68-year-old former airline magnate — whose anticipated victory propelled the local stock market to record highs this year after six years of stagnation — received 54.5 per cent of the vote, leaving his centre-left rival Alejandro Guillier, a former television anchor, with 45.5 per cent, after 92 per cent of ballots had been counted. Mr Guillier conceded after the decisive results of the presidential run-off vote.

The first right-of-centre leader to win Chile’s presidency since the fall of General Augusto Pinochet’s dictatorship in 1990, Mr Piñera now joins Argentina’s Mauricio Macri as another successful businessman-turned-president in Latin America.

The shift to the right in Chile comes after a period of dominance for leftist governments that swept to power in the region during the commodities boom since the turn of the century. Brazil, Mexico and Colombia are all due to hold closely-fought presidential elections next year that could consolidate this trend.

It is the second time that Mr Piñera succeeds outgoing President Michelle Bachelet in power, having followed her first 2006-10 term. This has raised concerns about the stagnation of Chilean politics that saw a low turnout on Sunday.

Mr Piñera’s victory was helped by disillusionment with the divided centre-left coalition in power, which supported Mr Guillier, after Ms Bachelet’s ambitious reform programme aimed at lowering inequality was widely criticised as poorly designed and implemented, hitting investment. That aggravated an economic slowdown after a steep fall in the price of copper, the linchpin of Chile’s economy — although rebounding copper prices are now likely to benefit Mr Piñera as they did during his first term.

Having presided over more than 5 per cent annual growth during his first presidency — compared to less than 2 per cent during Ms Bachelet’s second term — Mr Piñera promised voters that he would return the country to previous levels of growth that saw Chile become Latin America’s richest country, having been one of its poorest 40 years ago.

He has pledged to rein in Ms Bachelet’s reforms, halting the expansion of free university education and modifying her tax and labour reforms that were loudly criticised by the business elite. He has also promised to more than double economic growth, create 600,000 jobs and narrow the budget deficit. But Mr Piñera lacks a strong mandate for major reforms, without a clear majority in a more diverse and polarised congress after Ms Bachelet’s electoral reform introduced proportional representation, helping to put an end to almost three decades of two-party dominance.

After new forces emerged such as the leftwing Frente Amplio in legislative elections last month, this heralds a new era for Chilean politics, with negotiation and compromise likely to play a more important role — but possibly harder to achieve given the polarisation and fragmentation of Chilean politics, with centrist forces losing ground.

Chile learns to harvest its formidable solar power opportunities
(This article was written by Benedict Mander and was published in the Financial Times on 7 December, 2017)

The silence at El Romero is deceptive. Broken only by the ambient hum of transformers and with almost no humans in sight, there is nevertheless plenty going on beneath the surface of the giant solar panels that cover 280 hectares of the arid mountain landscape of northern Chile. About 200 megawatts per hour pulse from Latin America’s largest solar power station into nearby transmission lines that stretch more than 600km south to the capital Santiago from its location in the Atacama Desert, one of the driest and sunniest places on earth.

“This is the face of the future of Chile,” says José Ignacio Escobar, general manager in Latin America for Spain’s Acciona, which built and operates El Romero. “Chile may be poor in old energy, but it is very rich in renewables. Can you see a single cloud?” he asks, gesturing towards the indigo sky that is so clear that the world’s most powerful telescopes are built in the Atacama.
It is only recently that Chile began to harvest the formidable power of the Atacama’s sun. Just five years ago, the country produced negligible amounts of renewable energy and was heavily dependent on imports from its unreliable neighbours, suffering from blackouts and some of the highest energy prices in the world.

But this shortage of fossil fuels has stimulated an unprecedented boom in investment in renewable — and especially solar — energy since then, despite a contraction in investment in almost all other sectors during a period of economic stagnation at the end of the commodities boom.

Chile is now producing some of the cheapest energy in the world, fuelling hopes that it will become a solar version of Saudi Arabia. Having joined Mexico and Brazil among the top 10 renewable energy markets in the world, Chile is leading the clean energy transformation in Latin America, where investment in renewables has grown at double the global rate over the past decade.

“It’s the great silent revolution of [Michelle] Bachelet’s government, which she will be remembered for later,” says Eugenio Tironi, a sociologist, referring to Chile’s outgoing president who will be succeeded by the winner of presidential elections on December 17.

Although the rapid introduction of renewable energy in Chile using market incentives is arguably Ms Bachelet’s greatest achievement, the leftist leader has preferred to trumpet reforms at the core of her agenda that are widely criticised for being poorly designed and implemented, and stifling investment.

“The hallmark of our government is the reforms aimed at reducing inequality. Most of the debate has been around education and labour reforms, but if we hadn’t solved [our energy] problem, it would have been more difficult to implement the social reforms,” says Andrés Rebolledo, energy minister, who claims that energy is no longer a barrier to growth.

After introducing regulations that opened up Chile’s oligopolistic energy sector to competition, it only took until October this year for the government to reach its target of generating 20 per cent of electricity with renewable sources by 2025, mostly with solar and wind power.

It is a measure of how far Chile has come that the pledges by candidates in the presidential election campaign for the country to produce 100 per cent renewable energy by 2040 were taken seriously, and considered feasible by experts. “I don’t think anyone thought [that Chile’s transformation to renewables] would happen so quickly — and it happened without subsidies as they don’t believe in market intervention here,” says Bart Doyle, who runs the operations in Chile for the Irish company Mainstream. “It was a straight fight between renewables and everything else. Not only did renewables win, but they won hands down,” he adds, pointing out that most other countries provide incentives to companies generating electricity through renewable sources.

Although Chile’s energy auctions to supply the grid are open to all companies on equal terms, thanks to improving technology and Chile’s renewables potential, they are able to produce solar energy at about half the cost of coal-fired power stations.

This was made possible by perhaps the most effective regulatory change under Ms Bachelet’s government, which was to divide the day into thirds, making solar power especially competitive for companies bidding to provide energy in the middle third during only daylight hours.

In Chile energy costs have fallen 75 per cent since auctions began three years ago, with the latest producing the second-lowest bid in the world for solar power of 2.148 cents per kilowatt hour. But prices have fallen so low that Mr Doyle warns of the “bleeding edge” of cutting edge technology, arguing that companies may get caught out by bidding below the cost of production.
“Not all that glistens is gold,” cautions Mr Escobar, who believes that new regulations dealing with longer-term issues now need to be put in place. “We can’t allow this marvel to become a nightmare.”

Brazilian auto industry recovering above expectations

(This article was published in MercoPress on 9 December, 2017)

Auto sales in Brazil are likely to beat prior forecasts and accelerate next year, national automakers association Anfavea said on December 6, underscoring the gathering strength of a recovery in Latin America’s largest economy. Sales and output have expanded at that pace from a year earlier in recent months. Production grew 15.2% and sales climbed 14.6% last month from November 2016.

Anfavea President Antonio Megale said new car and truck sales are likely to grow 9% this year, above the group’s prior forecast for 7.3% expansion. If sales finish the year as strong as he expects, Megale said the market should grow by double digits in 2018. Sales and output have already expanded at that pace from a year earlier in recent months. Production grew 15.2% and sales climbed 14.6% last month from November 2016, according to Anfavea data released on December 6. Output slipped 0.3% and sales rose 0.7% from October.

Automakers in Brazil produced about 249,100 new cars and trucks last month, while sales totalled around 204,200 vehicles, according to data released by Anfavea.

Brazil was one of the world’s five biggest auto markets until a recent downturn and is still a major base of operations for Fiat Chrysler Automobiles NV, Volkswagen AG, General Motors Co and Ford Motor Co.

Moody’s improves Argentina rating, but still below investment grade

(This article was published in MercoPress on 2 December, 2017)

Argentina’s credit rating was raised one level by Moody’s Investors Service as President Mauricio Macri’s macroeconomic reform policies seem to have started to take hold, bolstering optimism about the nation’s long-term prospects.

Moody’s raised Argentina’s rating to B2 from B3 with a stable outlook, Moody’s analyst Gabriel Torres said in a statement. That leaves the nation five levels below investment grade, on par with Angola, Nigeria and Cambodia. S&P raised its rating on Argentina by one level in October to B+.

Macri has implemented policies since 2015 including a free-floating exchange rate, open capital account and more credible public statistics. Torres said the revamp will probably continue after midterm elections in which Macri’s Cambiemos coalition won almost 42% of all votes in the lower house of Congress, reinforcing its political position.

While Argentina must still contend with high fiscal deficits, stronger and balanced growth will strengthen its fiscal and external positions over time, Torres said. The Macri administration has announced plans to reduce the fiscal deficit and tax, pension and labour reforms.

“Economic growth appears to be more sustainable than prior consumption-led booms,” Torres wrote. “After years of stop-and-go economic growth, Argentina is poised to grow two years in a row in 2017-18, the first time since 2011.”

Argentina plans to reduce its dependence on international finance markets, Treasury Minister Nicolas Dujovne told foreign correspondents. Dujovne estimated that the local capital market is expanding by about 25% year-on-year, and further debt can be taken on internally.

The government plans to issue around US$30 billion of net debt next year, and expects the debt ratio to stabilize in 2020. The country will grow 3% this year and 3.5% in 2018, according to Moody’s projections.

↑Return to Index