IFM Investors moves into Mexico with toll road purchase

Australia’s biggest infrastructure investor, IFM Investors, has made its first foray into Mexico after buying 25 per cent of a toll road in Mexico City from Spain’s OHL for $737 million.

Kyle Mangini, IFM’s global head of infrastructure, told The Australian Financial Review the 111 kilometre Circuito Exterior Mexiquense (CEM) toll road was attractive because it had potential for traffic growth. “Mexico’s got one of the lowest cars per capita in the OECD,” Mr Mangini said.

CEM, which forms part of Mexico City’s ring road, will continue to be operated by OHL, a Spanish construction company that built the road in 2003 and has 37 years remaining on its concession. The Mexican road will be the first toll road in IFM’s global infrastructure portfolio.

“Toll roads fit with our profile, they’re a very attractive component of the infrastructure asset class,” Mr Mangini said. IFM has two infrastructure funds worth around $15 billion combined.

The Mexican investment adds to IFM’s other South American investments – hydro-electricity assets in Chile and wind farms in Brazil.

IFM’s initial stake of 24.99 per cent CEM could change in the future, but there were no immediate plans to increase it,” Mr Mangini said, adding the Australian group hopes to do further investments with OHL.

“We like working with large strategic companies, this is going to be another really strong strategic relationship and we can look to work together on other opportunities in the future.”

The Mexican acquisition showed “good value” was still available in the infrastructure market for groups with a “strong global presence,” Mr Mangini said.
Karoon Gas hopeful on Kangaroo oil flows in Brazil
(This article was written by Angela Macdonald-Smith and was published in the AFR on January 6, 2015)

Karoon Gas Australia is on track for a commercial oil project off the coast of Brazil despite the plummeting oil price, after reporting strong flows from testing at its Kangaroo discovery off the coast of Brazil. Testing at the Kangaroo-2 well signalled that a vertical production well could flow at 6000 to 8000 barrels a day, with the potential for higher rates from horizontal wells, managing director Robert Hosking said on January 6.

"Karoon is very pleased with the production testing results from Kangaroo-2," Mr Hosking said. Spokesman, Ed Munks said the flow rate was “promising” for a commercial project at the Kangaroo field in the Santos Basin.

BYY analyst Scott Young has estimated that a minimum of 6000 barrels a day could yield an economic project, assuming an oil price of $US60 a barrel.

The well, in which the Australian junior has a 65 per cent stake, is the most advanced of Karoon’s oil prospects in Brazil. The region has become its main focus after a $US600 million ($742 million) deal with Origin Energy in 2014, which saw it exits Browse Basin - exploration venture in Australia’s north-west.

The positive results from the appraisal well appear to justify Karoon’s controversial decision to proceed with the well before further reducing its stake in the drilling venture, which is 35 per cent-owned by Pacific Rubiales Energy.

Karoon is continuing talks with other potential partners.

The company said that Kangaroo-2 confirmed the indications reported in November of a 250-metre gross oil column, of which 135 metres is assessed as “net”, meaning it is of good enough quality to potentially yield - commercial flows.

It plans to drill another prospect to the west of the field, called Kangaroo West, but before that will drill “side-track” wells from the existing hole to try to better define the oil reservoir. “The information obtained from Kangaroo-2 will be important for assessing the commerciality of the Kangaroo oil field and will be valuable for a front-end engineering and design phase bringing the project a step closer to commerciality,” Karoon said.

Mr Munks said the decision to drill side-track wells from the existing hole was driven by the soft oil price, providing a “cheap and easy” way to try to confirm the size of the resource without drilling new wells.

“Of course, the oil price is having a bearing on what we are doing,” Mr Munks said, while pointing to benefits arising through declining rig hire rates and increasing spare capacity in the engineering and construction sector. The Kangaroo field was thought to have the potential to hold 135 million barrels of oil, earlier estimates show.

WorleyParsons has carried out early design work on an oil project at Kangaroo, envisaging a floating production ship. The vessel could be leased to cut upfront costs, which could be funded partly by debt.

Petrel Energy receives resource certification for oilfield in Uruguay

ASX-listed and ALABC Patron Member, Petrel Energy, has received its first resource certification for an exploration block that it has in Uruguay, where hundreds of millions of barrels of oil are estimated to be contained in the Norte Basin.

According to a media statement released by Petrel Energy on January 13, “20 potential leads [have been] identified ranging from 2 to 241 MMBBL [million barrels]” in the Salto and Piedra Sola exploration blocks.

The statement adds that a report prepared by Netherland, Sewell and Associates Inc. (NSAI) estimates that the Salto and Piedra Sola concessions could hold between 133 and 902 MMBBL of oil.
According to Managing Director of Petrel, David Casey, the prospective resource estimate is a promising one. "Yet again results have exceeded our expectations with the seismic identifying multiple new large conventional targets and significantly many at relatively shallow depths," Casey said as quoted by the Petrel statement.

Casey added that Petrel will now be looking for potential partners to assist with the next stage of exploration of the active and previously unknown hydrocarbon system in Uruguay.

Following the announcement, Ord Minnett issued a positive research report on the company. For a copy of the report, please click HERE.

**Amcor Rigid Plastics ranked as fifth-leading employer in Argentina**

Amcor Rigid Plastics’ Argentina business unit was recently recognized as one of the best employers in Argentina for 2014 by Apertura Magazine, a leading business magazine in Argentina. Amcor, one of the world’s largest manufacturers of plastic packaging for food, beverage, spirits, home/personal care, and healthcare industries, was ranked fifth in the country among employers with 200 or fewer employees.

Amcor has been recognized as a top employer in Argentina the last five years and has been a Top 10 employer the last four years. “We’re thrilled to receive yet another top employer ranking from Apertura magazine,” said Juan Cazes, general manager of Amcor’s Argentina business. “This is truly a great honour and a testament to our highly focused organizational development process which includes a strong commitment to workforce development and training.”

Amcor Argentina operates two manufacturing sites in Pilar, Buenos Aires, and Ushuaia, Tierra del fuego. The two facilities manufacture polyethylene terephthalate (PET) preforms and a wide range of PET beverage containers.

Five years ago, Amcor launched an organizational development process which was part of its overall business strategy to improve branding and increase sales. The process focused on attracting, hiring, and developing talent and re-engineering all organizational structures so that the talent pool met the organizational goals and fulfilled the business plan, according to Nicolas Sylvester, Amcor Argentina’s human resource manager.
Chairman’s Message

As we launch into 2015 it is obvious that volatility in the global markets is likely to be with us throughout the year and that the global economy will be operating under a new ‘normal’.

Like almost all markets in the world, those of Latin America will be impacted. With falling oil and metal prices weighing on government finances and endangering investments, economists have generally reduced their 2015 growth forecasts for the region’s seven largest countries, from Mexico to Argentina.

Brazil is now expected to grow a meagre 0.5 percent in 2015, down from an earlier estimate of 1.1 percent and barely up from an expected 0.2 percent growth in 2014. Mexico will probably expand by 3.4 percent, while oil producer Venezuela, flirting with a debt default, will probably contract 2.0 percent, according to a poll of about 50 economists.

Faced with growing economic challenges, the general response has been a shift toward orthodoxy. In Brazil, re-elected President Dilma Rousseff has appointed Chicago-trained banker Joaquim Levy as finance minister and has foreshadowed tax hikes and budget cuts. In Argentina, all potential candidates in the October presidential election are seen as more market-friendly than President Cristina Fernandez. In the north, Mexico’s finances are in better shape, which should help it take advantage of faster U.S. growth to accelerate closer to its potential. However, the main risks lie on the energy sector, where falling oil prices may threaten investments.

The situation varies from country to country, but the trend is generally similar in each one. Some will benefit from weaker exchange rates which may boost exports, but the expected exchange rate volatility could also fuel inflation. Interest rates may rise as a result and could climb to as high as 13 percent in Brazil.

How long this new ‘normal’ will be with us remains to be seen, but businesses need to accept that it is here and that action plans need to be developed to make the best of the situation and, above all, the undoubted opportunities that remain on offer in the region. Our three lead articles in this edition - regarding IFM Investors, Karoon Gas and Petrel Energy - are proof that the region remains ‘open for business’.

Volatility can also produce opportunity, and this is very much the case in Latin America. Companies that are well-managed and have solid balance sheets are likely to find that this year is an ideal one to invest for the future. Asset valuations are likely to fall and there is every likelihood that good buying opportunities will arise. For example, the slowdown in the mining sector is likely to mean that there will be a flight to quality in sourcing products and services, as mining companies strive to make greater use of innovation to cut costs and increase productivity.

The slowdown may also mean that we will finally have more light shone on the opportunities that exist in other sectors and on the success that Australian businesses are having beyond the resources sector. For example, it is not widely known that Australian majors such as Amcor and Brambles (through its Chep operations) have a large presence in the region.

Although not regularly reported, a growing number of Australian SMEs are forging successful business in the region and their progress is encouraging other players to follow in their footsteps. This was evident from the number of winners of the Austrade 2014 Export Awards who acknowledge the contribution of Latin America in their acceptance speeches, including Melbourne-based SDI, Queensland’s Cardo and Opmantek.

Despite the need for caution, I believe that 2015 has the potential to be a very positive year in the development of Australia’s engagement with Latin America. If all goes to plan, we can expect an increase in the exchange of ministerial and business delegation visits, as well as in the number of Australian companies that choose to make a move into the region. There may also be more investment from the region into Australia.

My confidence stems from the developments that I am seeing take place in the region and from the extensive level of activities planned by the government - both federal and state - and by business groups that want to focus more of their attention on the region. The momentum in favour of Latin America is set in stone and our Council plans to be at the forefront of adding to it.

Jose Blanco
Chairman

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Peru simplifies rules to spur mining investment

Peru’s Ministry of Energy and Mines has launched into 2015 by issuing a series of regulations aimed at boosting mining project investment through the simplification of procedures, shorter deadlines as well as standardization and flexibility of criteria when requesting construction and operating permits at all stages of mining activity.

These regulations were approved through Supreme Decree Nº 001-2015-EM signed by President Ollanta Humala and endorsed by the Minister of Energy and Mines, Eleodoro Mayorga.

A first general provision states that, during the procedures regulated by the Mining Law, either MEM’s General Directorate of Mining or the corresponding regional government will notify the applicant of the observations and requirements in a single step and within a period of not more than fifteen (15) days. In the case of beneficiation concessions, the notification must be made from the date the time limit for filing oppositions expires.

The applicant, in turn, is entitled for a maximum period of twenty (20) days to submit the necessary amendments.

During the procedures handled by regional governments, MEM will deliver a favourable opinion to authorize the start or continuation of the exploration activity, the construction of a beneficiation plant, the Mining Plan, and the start of development and preparation activities.

PwC publishes new guide for ‘Doing Business in Mexico’

Our Patron Member, PwC, has just released a new guide on ‘Doing Business in Mexico’ that should prove an invaluable tool for anyone wanting to know about the best way of operating in one of the world’s leading emerging markets.

With the landmark reforms introduced by President Peña Nieto across a variety of sectors now starting to generate increased economic activity, a growing number of Australian companies are joining the multitude of international companies entering the Mexican market and positioning themselves to take advantage of the growing opportunities.

With Mexico being part of NAFTA and very closely tied to the fortunes of the US market - which accounts for around 80% of Mexico’s total trade - the continued recovery in that market augurs very well for Mexico and for those companies wanting to benefit from this growth.

To download the report, please click on the cover page at left or here.

Latin America ranks highly as best place for mining investment

For the fourth year in a row, Australia ranks as the best place for mining investment in the world. In a recently released survey by the leading US minerals industry advisory group, Behre Dolbear, Australia scored 0.7 percent lower than in 2012. Rated highly on account of its economic and political stability, Australia was followed by Canada, with Chile, Brazil and Mexico rounding out the top five.

The 150 mining professionals polled by Behre Dolbear for its annual assessment of the global mining industry -- “2014 Ranking of Countries for Mining Investment: Where Not to Invest” - assessed the 25 countries considered in this year’s report based on seven criteria. The United States and Papua New Guinea were ranked as the countries with the most numerous permitting delays – a main indicator of the time it takes to bring a new mine online.
The countries with the fewest mining permitting delays, in order of ranking, are Australia, Tanzania, Mexico, Chile and Colombia.

In terms of one of the other risk factors affecting the development of mining projects globally -- social issues -- Behre Dolbear ranked Australia, Chile, Colombia and Brazil as the countries most effective at managing these risks. The professionals also ranked the countries according to the levels of corruption in the mining sector. Australia ranked highest as having the least corrupt business environment, followed by Canada, the US and Chile.

Mexican State-owned oil company, Petroleos Mexicanos, plans to offer international companies a bigger stake than initially envisioned in several projects in Mexico, CEO Emilio Lozoya said in an interview published by The Wall Street Journal in December.

Pemex is also looking to accelerate joint ventures with private firms to ensure its capital expenditure plans for exploration and production are affected as little as possible by the recent sharp drop in oil prices, a development that has prompted many oil companies to slash costs and investments, Lozoya said.

The company is also seeking partners for pipelines, storage terminals and industrial facilities such as power plants or fertilizer production sites, Lozoya told the financial daily. "The opportunities for international oil companies in the rest of the chain are going to be bigger," he said.

Mexican President Enrique Peña Nieto recently pushed through an ambitious overhaul of the country's energy sector, ending Pemex's more than 70-year monopoly. Lozoya told The Wall Street Journal that he does not believe the drop in oil prices will adversely affect international interest in Mexico's market opening. "The information I have is that interest continues," he said.

"And a major reason is that Mexico has production costs that are far below the price of oil ... at $22 per barrel."

Pemex is investing a record US$57 billion in 2014 and 2015 to search for oil in deep waters of the Gulf of Mexico, expand gas pipelines and upgrade refineries. "This is going to support economic growth in Mexico," the CEO added.

Although Pemex reserved for itself 83 percent of the country's proven and probable reserves and 21 percent of potential reserves in a so-called "Zero Round" of non-competitive bidding earlier this year, The Wall Street Journal noted that joint ventures with private companies have always been in Pemex's plans and that lower oil prices may lead it to make those partnerships more attractive.

Citing a Pemex official, the daily said Pemex may in some cases have planned to have a majority stake in the field but now may instead choose to have a minority stake.

Scotiabank continues to consolidate its presence in Latin America

Canada’s Scotiabank announced on December 19 that its Peruvian subsidiary has agreed to buy the retail and commercial banking operations of Citibank in Peru, subject to regulatory approval.

Scotiabank said the deal is not material to it, and its common equity tier one capital ratio will be impacted by less than 10 basis points. "We’re excited about this acquisition because it will allow us to deepen existing customer relationships, serve new customers and increase our market share in credit cards and personal loans in Peru," said Dieter Jentsch, Group Head of International Banking at Scotiabank. "This acquisition is in line with our strategy to increase our scale within the Peruvian banking sector, as well as the other Pacific Alliance economies of Mexico, Colombia and Chile."
The deal also includes the transfer of Citibank employees from the retail and commercial banking businesses in Peru to Scotiabank Peru.

Citibank's Peruvian operation includes eight branches which serve more than 130,000 retail and commercial banking customers. Citibank has been operating in Peru since 1920 and will continue to operate in the country with a focus on its Corporate and Institutional Banking Business, and International Private Bank Services.

The IISS Cartagena Dialogue: The Trans-Pacific Summit

The inaugural 'IISS Cartagena Dialogue: The Trans-Pacific Summit' will convene from 6–8 March in Cartagena, Colombia. Organised by the International Institute for Strategic Studies, a global think tank, the summit enjoys the full support of the Colombian government and promises to bring together leading political and business leaders from Asia and the Pacific.

The focus of the summit will be on the developing relations between the Latin American states of the ‘Pacific Alliance’ and key countries from the Asia-Pacific region. The summit will have a geo-economic focus with a strong security and stability component. The four founding states of the Pacific Alliance – Chile, Colombia, Mexico and Peru – have a combined GDP close to that of Brazil and have growing relations with Asia. A number of countries in Asia, especially China, Japan, South Korea, and increasingly others, have economic and political interests in the Pacific Alliance states.

The IISS Cartagena Dialogue will explore the growing links between the two sides of the Pacific and encourage the strengthening of political, diplomatic, economic and commercial links.
The summit will bring together ministers and CEOs from Chile, Colombia, Peru and Mexico, with additional participation from Costa Rica and Panama, together with Australia, Brunei, Canada, China, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, the United States and Vietnam. Additional government and private-sector participation will come from the UK, Brazil, and other guests with special expertise and perspectives to contribute to the ‘trans-pacific’ debate.

The Cartagena Dialogue will be a major inter-governmental summit with important private-sector and expert engagement. The IISS will aim for some 40% of the total attendance to be composed of government ministers and senior government officials; 40% to be CEOs, business entrepreneurs and private-sector leaders; and around 20% to be drawn from top experts, strategists and economists. Overall participation will be weighted in favour of trans-pacific representation so that the purpose of the Dialogue, to better pave the highways of communication and engagement between the two sides of the Pacific, is properly met. Total delegate numbers will be about 250–300, allowing for inclusive representation but also sufficient intimacy to permit easy networking. Ministers will conduct bilateral and multilateral meetings during the summit; opportunities will be available for private-sector meetings with government representatives, as well as between the various business leaders in attendance.

The agenda of the Cartagena Dialogue will ensure that key themes of common interest are fully covered. Plenary sessions will provide an opportunity for Pacific Alliance government leaders to define relations with the Asia-Pacific, and likewise for Asia-Pacific leaders to outline their approaches to the Pacific states of Latin America. Perspectives from business leaders on trans-pacific relations will also be explored, as well as Asian trade and investment in Latin American commodities. Special sessions will examine three geopolitical and security issues: ‘Insurgencies, Drugs and Security in Asia and the Pacific countries’; ‘Conflict Resolution and Rebuilding Societies: Experiences from Asia and the Pacific countries’; and ‘Organised Crime and the Informal Mining Sector’. There will also be a special session on ‘Financial Services Integration: Asian and Pacific Alliance Experiences’. Further plenaries will address a Trans-Pacific agenda for cooperation and seek to pull together security and economic perspectives.

The IISS Cartagena Dialogue promises to be a major event in the 2015 calendar for those interested in Latin American geo-economic and geopolitical trends. The Institute is committed to establishing the Dialogue as an important multilateral event that invites coordinated policymaking and engages businesses in the region. The member states of the Pacific Alliance want their regional efforts to be internationally recognised, while outsiders have an interest in finding a way to be part of this regional trend.

Confirmed speakers include:

- Juan Manuel Santos, President of Colombia
- Juan Carlos Varela, President of Panama
- Juan Carlos Pinzón Bueno, Minister of National Defense, Colombia
- María Ángela Holguín Cuéllar, Minister of Foreign Affairs, Colombia
- Mauricio Cárdenas Santamaría, Minister of Finance and Public Credit, Colombia
- José Antonio Meade Kuribreña, Secretary of Foreign Affairs, Mexico
- Gonzalo Gutiérrez Reinel, Minister of Foreign Affairs, Peru
- Lee Ark Boon, Deputy Secretary of Trade, Ministry of Trade and Industry, Singapore
- Dr Dino Patti Djalal, Former Vice Minister for Foreign Affairs, Indonesia
- Dr Chung Min Lee, Ambassador for National Security Affairs, Republic of Korea
- Senator Gabriela Cuevas Barron, Head Of The International Relations Committee, Mexican Senate
- Felippe Larrain, Former Minister of Finance, Chile
- Dr Gino Costa, President, Ciudad Nuestra; former Minister of Interior, Peru
- Hernán de Solminihac, Former Minister of Mining, Chile
- Yorihiko Kojima, Chairman of the Board, Mitsubishi Corporation
- Eva Arias de Sologuren, President, National Society of Mining, Oil and Energy, Peru
- Wankai Lang, Managing Director of MMD China

For further details regarding the Dialogue, including how to go about registering to attend, please click here.
The Prognosis: A year of subpar growth for Latin America
(The following is an opinion piece written by Alejandro Werner and posted on the iMFdirect - the International Monetary Fund’s global economy forum - on January 21, 2015.)

The turn of the year usually brings a fresh dose of optimism. Yet, worries dominate across much of Latin America and the Caribbean today, as 2015 marks yet another year of reduced growth expectations. Regional growth is projected at just 1¼ percent, about the same low rate as in 2014 and almost 1 percentage point below our previous forecast. Challenging external conditions are an important drag for many countries. Still, it’s not too late for some good New Year’s resolutions to address domestic weaknesses and improve growth prospects.

Winners and losers from cheaper oil
Commodity prices have continued to decline, reflecting unexpected demand weakness in several major economies, including China. The most notable mover recently has been oil, where increased supply has also played an important role in depressing prices.

In this environment, our forecast for global growth has come down again, and now stands at just 3½ percent for 2015. Prospects for U.S. growth have improved, but weaker dynamics in the euro area, China, and Japan are weighing down global activity.

The drop in oil prices is expected to be broadly neutral for Latin America and the Caribbean at large, but has very different effects across individual countries.

- Venezuela’s economy will take the largest hit, and is now forecast to contract by 7 percent in 2015. Indeed, each $10 decline in oil prices worsens Venezuela’s trade balance by 3½ percent of GDP, a bigger effect by far than for any other country in the region. The loss in export revenue causes mounting fiscal problems and a sharper economic downturn.

- To a more moderate extent, lower oil prices are also dampening growth prospects for Bolivia (whose large exports of natural gas are linked to oil prices), Colombia, and Ecuador. In all three countries, fiscal balances will suffer from falling oil revenue, but initial positions are strong enough to weather the impact. Mexico, in turn, has protected its 2015 oil revenue through financial hedging, and the petroleum sector plays a relatively modest role in the economy, so the overall impact is limited.

- The rest of the region should generally benefit from cheaper oil. The biggest beneficiaries are countries with high oil import bills, notably in Central America and the Caribbean. However, some caution is warranted, as several of these countries have been relying on subsidized oil deliveries from Venezuela under the Petrocaribe arrangement. With growing economic strains in Venezuela, its Petrocaribe support has started to diminish. For most recipients, the lower market price of oil should outweigh a potential loss of favorable financing terms from Venezuela, but some countries could face short-term cash flow pressures in the public sector.

- Over the longer run, persistent weakness in oil prices would also limit the potential from developing untapped hydrocarbon resources in countries including Argentina, Brazil, and Mexico.

Dimmed prospects in South America
Even if lower oil prices, on balance, do not change the near-term regional outlook much, the story doesn’t stop there. South America, in particular, is facing stiff headwinds from disappointing global growth and the continued decline in the prices of metals and agricultural commodities. At the same time, it benefits little from the stronger U.S. recovery. As a consequence, exports are now expected to grow by only 1 percent on average this year.
The economic challenges facing South America are even more apparent from investment, which has slowed every single year since 2010 and is forecast to decline in 2015. Beyond the impact of worsening external conditions, a variety of domestic issues are also at play:

- A leading example is Brazil, where private sector confidence has remained stubbornly weak even after the election-related uncertainty dissipated. Economic activity is anemic, with output projected to expand only 0.3 percent this year. On the upside, the authorities’ renewed commitment to rein in the fiscal deficit and reduce inflation should help to shore up confidence in Brazil’s macroeconomic policy framework.

- Growth expectations in Chile and Peru are comparatively favorable but have also been pared back further since October. In Chile, uncertainty over the impact of policy reforms seems to be weighing on investment. In the case of Peru, weak exports and investment have driven a sharp recent slowdown, though concerted policy action and new mining operations are expected to support a significant rebound this year.

- Despite some easing of exchange rate pressures and a better-than-expected growth outturn in 2014, Argentina continues to struggle with large macroeconomic imbalances. We expect the economy to contract in 2015.

**Brighter conditions up North**

Mexico, in turn, is projected to grow by 3.2 percent this year—a solid prospect, though less than previously expected, as lingering sluggishness in domestic demand offsets the positive spillovers from stronger U.S. growth.

On the bright side, the outlook for Central America has improved as a result of lower oil prices and the robust U.S. recovery. Remittances grew 9 percent (year-on-year) in the first three quarters of 2014 and, together with stronger exports, will continue to underpin domestic activity. Similarly, the tourism-dependent economies of the Caribbean have started to see a long-awaited recovery in tourist arrivals.

**Turning to policies...**

Lower oil prices will alleviate external and fiscal vulnerabilities in some countries. They also provide a great opportunity to phase out costly and poorly targeted energy subsidies, which are common across the region.

In much of South America, meanwhile, the broad weakness of commodity prices has widened current account deficits further. Flexible exchange rates can help cushion this external shock. However, fiscal policy will also need to adjust to the reality that earlier forecasts for commodity revenue and output growth are no longer realistic.

Beyond such adjustments, the difficult current outlook underscores the urgency of supply-side reforms outlined in our recent Regional Economic Outlook reports. Boosting growth prospects and sustaining poverty reduction in a more challenging external environment will require determined efforts to improve the business environment, raise productivity, and increase saving and investment. It’s not too late yet for good New Year’s resolutions.
The US and Cuba reach historic agreement to enhance relations

(This article was written by Amanda Taub and published in Vox on December 17, 2014)

The US and Cuba have announced a broad agreement between the countries that will be a first and historic step toward normalizing relations after more than 50 years of hostility. Here are the basics of what each country has agreed to, as is known so far:

What the US will give Cuba

- **Diplomatic opening:** The U.S. will take steps toward restoring diplomatic ties with Cuba, severed since 1961. The travel ban will still be in place, as will the embargo, but the embargo’s impact will be eased. And some preexisting exceptions to the travel ban will be expanded.
- **Embassy in Havana:** This will include the goal of reopening a US embassy in Havana in the coming months. The embassy has been closed for over half a century.
- **Release alleged Cuban spies:** The US will release three Cubans who were convicted of espionage and imprisoned in the US: Gerardo Hernandez, Luis Medina, and Antonio Guerrero. All three prisoners were members of the “Wasp Network,” a group that spied on prominent members of the Cuban-American community. CNN reports that Hernandez, the group’s leader, was also linked to the downing of two civilian planes operated by Brothers to the Rescue, a U.S.-based dissident group.
• **Easing business and travel restrictions**: The U.S. will make it easier for Americans to obtain licenses to do business in Cuba, and to travel to the island. CNN reports that the new rules still won’t permit American tourism, but will make it easier to visit for other purposes.

• **Easing banking restrictions**: Americans will be able to use credit and debit cards while in Cuba.

• **Higher remittance limits**: Americans will be able to send up to $2000 per year to family members in Cuba. Cuban-American remittances are a major source of income for many Cuban families.

• **Small-scale imports of Cuban cigars and alcohol**: US travellers will be able to import up to $400 in goods from Cuba, including $100 in alcohol and tobacco products.

• **Review of basis for sanctions**: Secretary of State John Kerry has been ordered to review Cuba’s status as a "state sponsor of terrorism." If his review determines that Cuba no longer deserves that status, that will be a first step towards lifting at least some US sanctions.

What Cuba will give the US

• **Release Alan Gross**: US contractor Alan Gross had been imprisoned in Cuba for the last five years on charges of attempting to undermine the Cuban government. His detention has been a major issue for the US and the Obama administration. He has been released and is on his way back to the United States.

• **Release political prisoners**: Cuba will release 53 political prisoners from a list provided by the United States. CNN also reports that Cuba is releasing a US intelligence source who has been imprisoned in Cuba for more than 20 years, but it is not clear whether that individual was one of the 53 included on the list.

• **Increased internet access**: Cuba will allow its citizens increased access to the internet. The US has long sought this as a means of increasing pressure within Cuba for democratic reform.

• **Access by the UN**: Cuba will allow officials from the United Nations and the International Committee of the Red Cross to return to its territory.

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**Book Review: 10 things to know about China, Latin America and the environment**

*(This article was written by David Hill and was published in The Guardian on December 20, 2014)*

A new book, *China on the Ground in Latin America*, tells the story of the fundamental but little-discussed change in the nature of China’s engagement with Latin America and the Caribbean since 2009, as Chinese companies have begun to operate in the region. Author Evan Ellis provides an in-depth panorama of Chinese commercial activities across sectors from petroleum, mining, and agriculture to manufacturing, construction, and other services. The book engagingly analyses how this new physical presence is creating challenges for Chinese businesses - challenges that range from security challenges, to winning projects, to dealing with local labourers, communities, indigenous groups, and environmentalists. In *China on the Ground in Latin America*, Ellis expertly dissects the dilemma that the Chinese government faces regarding how to use its growing soft power and other instruments to protect its interests in the region in the context of its insistence on its respect for the internal affairs of its partners as sovereign countries.

Question: when did contemporary political and media debate start on China’s “entry” into the Western hemisphere? Answer: January 1997, when Panama awarded concessions to a Chinese company to operate port facilities on the Atlantic and Pacific coasts at both ends of the Panama Canal, just after having obtained control of it from the US.

Question: when did Latin America and the Caribbean wake up to its dramatically expanding new relationship with China? Answer: November 2004, when the then Chinese president Hu Jintao visited Argentina, Brazil, Chile and Cuba and apparently spoke of the possibility of investing US$100 billion in the region – although the Chinese government later claimed it had been mistranslated and the US$100 billion referred to bilateral trade.

That, at least, is what Evan Ellis, a researcher at the U.S. Army War College and considered by some to be a leading expert on China-Latin America relations, states in his new book *China on the Ground in Latin America: Challenges for the Chinese and Impacts on the Region*. Ellis’s main argument is that in the last few years the Chinese have started to establish a new, “significant” physical presence in Latin America and the Caribbean – following trade deals, acquisitions, loans and loan-backed construction projects, among other things.
As a result, Ellis argues that China now finds itself, for the first time in its 5,000 year history, connected to however many million non-Chinese people in other countries and dependent on the “success and well-being of its commercial representatives in distant parts of the world.”

While the focus of his book is Chinese acquisitions, loans, other commercial dealings and the challenges these pose for the Chinese government, companies and Chinese people living in Latin America, Ellis has various things to say about the environment. Here are 10 – some of which you may agree with, others you may not – I picked out:

1. Chinese companies have focused on developing their physical presence in Latin America in the sectors that are most likely to generate environmental impacts and concerns: petroleum, mining and agriculture. The Chinese presence in petroleum is most significant in Venezuela, Ecuador and Argentina, and in mining in Ecuador and Peru.

2. Resistance from “environmentalists and local communities” is one of the major challenges facing Chinese companies trying to make acquisitions and win contracts in Latin America. To date, projects involving Chinese investors have “often” been “opposed on environmental grounds, or because of their impact on local communities and indigenous groups,” writes Ellis, citing the Chone dam project and Mirador mine in Ecuador, the Belo Monte dam in Brazil, the Rio Blanco mine in Peru, the Lupe mine in Mexico, a soy processing facility in Rio Negro in Argentina, the Agua Zarca dam project in Honduras, and the River Magdalena in Colombia as examples.

3. Opposition to Chinese projects on environmental grounds is “likely to expand in the future because of the number of potential projects. . . that involve environmentally sensitive areas.” These include plans to develop Goat Island, Jamaica, into an “international shipping hub” and the exploitation of the Ishpingo, Tambococha and Tiputini (ITT) oil fields in the far east of the Yasuní National Park in Ecuador where Ellis says the “Chinese corporations who have already done the exploratory drilling are the leading contenders” to win contracts. Indeed, Ellis states that although “no official link” exists between ITT and the construction of a new refinery on Ecuador’s Pacific coast, “a senior Ecuadorian source speaking off-the-record suggested that the granting of the rights for ITT may be a condition pursued by the Chinese for the funding of the Refinery. . . which would be fed by the petroleum extracted there.”

4. Environmental concerns are a major challenge for Chinese companies not because they are “inherently less respectful of the environment” than others, but “because of a confluence of factors” including the high environmental impacts of the sectors they are focusing on, a “cultural distance” between Chinese and Latin American people, and Chinese companies’ lack of experience in the region. One example: “Chinese executives and managers often presume that local authorities will be able to force local residents to comply with decisions to relocate their homes. . . and may mistakenly presume that, as long as they have reached an agreement with the appropriate government authorities, the local communities and other actors will comply with the decisions.”

5. “Environmental complaints” have already been made about various ongoing Chinese projects. These include the Marcona mine in Peru run by the company Shougang, the Cerro Maimon mine in the Dominican Republic, and the Sierra Grande mine in Argentina.

6. Chinese companies “have made efforts to improve their environmental practices where they have felt it necessary to do so, in order to avoid problems with governments and communities.” Ellis cites new technology by company Bosai to address dust problems caused by bauxite mining in Guyana as one example, and ten “environmental protection projects oriented toward wastewater, dust and air pollution” at the Marcona mine in Peru as another.

7. Offshore drilling by Chinese companies in Latin America and the Caribbean is particularly risky in terms of environmental impacts because “they are relatively new to producing and using deepwater drilling technology.” Ellis argues that Chinese operations are “arguably even more vulnerable to such risks” than was BP before the Deepwater Horizon Gulf of Mexico blowout in 2010.

8. Although “many [Chinese companies in Latin America] do behave badly” — either “due to a combination of willful imposition of Chinese norms and practices that do not function well in the new context, or accidentally, due to a lack of knowledge regarding local norms” — they “do not inherently behave worse than their Western counterparts” (Ellis’s italics).

9. A “significant portion” of the new Chinese presence in Latin America is in the renewable energy sector where companies “have been a key force in the “green revolution” transforming the energy generation mix” and “slowly moving the electricity infrastructure of the region away from fossil fuels.” Ellis states that “of the many projects and acquisitions by Chinese firms in the electricity generation sector. . . only a very small number have involved traditional fossil fuel power generation facilities”, with a focus instead on hydroelectric and what Ellis calls a “wave of new solar and wind power projects” across Argentina, Bolivia, Brazil, Chile, Costa Rica, Ecuador and Mexico.

10. What better way to end than with one particularly emblematic example and startling claim? Despite a January 2014 announcement that work would begin on a canal through Nicaragua by the end of this year or early 2015, “as this book went to press, a public announcement regarding the route to be taken by the canal had not been made, nor had any information been made public regarding environmental impact” (my italics, this time). Indeed, a report published in September by the Alexander
von Humboldt Studies Centre in Nicaragua states that “technical information of environmental character generated during the design, construction and operation of the Great Canal and associated projects will remain confidential,” under the terms of the concession agreement. Von Humboldt calls the canal – due to be built by the Hong Kong-based HK Nicaragua Canal Development Investment Company – and associated infrastructure the biggest environmental threat to the country in its history.

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Peru-Chile investments total US$20bn a year after maritime dispute verdict

The result comes a year after the International Justice Court (ICJ), based at The Hague, issued its maritime dispute verdict, affirmed Juan Carlos Fisher (pictured below), President of the Peruvian – Chilean Chamber of Commerce.

From that total, some US$13 billion equal Chilean investitures in Peru, while US$7 billion mean Peruvian investments in Chile.

According to Fisher, Peruvian investments in Chile are mainly in the service and retail sectors.

Likewise, trade between both nations grew above 14% in 2014, he calculated.

After the verdict, people’s transit between border cities Tacna (Peru) and Arica (Chile) reached a historic figure of 5.5 million transfers.

The ICJ verdict “did not affect the commercial exchange” between both nations. Trade bonds have remained “strong” since 2008, Fisher declared to Andina news agency.

Definitely, trade between both nations has remained under the same term “with an ascending trend.” “In less than a year, after the Peruvian claim was submitted [to the ICJ], the Brescia Group carried out the greatest Peruvian investment in Chile. It was associated to the acquirement of the Lafarge cement industry worth US$550 million, which was re-baptized as Melon Cement,” he reminded.

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Chilean Congress passes ambitious education reform

Chile's President Michelle Bachelet said on January 27 that her government was preparing the second phase of an ambitious education reform, hours after Congress approved the first set of changes.

After eight months of intense debate, the Lower House late on January 26 approved the first part of the multi-pronged reform, which includes an end to profits at state-subsidized schools and eliminates their selective entrance policies. The measure was sent to Bachelet to be signed into law.

“What we've put an end to here is a set of illegitimate bases put in place during the dictatorship, behind the nation's back, and today we've recovered Chile's historic tradition and the best practices in the world,” said Education Minister Nicolas Eyzaguirre.

The government will now look to bolster teacher pay and conditions, bring public schools, now managed and financed by townships, under national jurisdiction, and make university education free, Bachelet said.

Details on the next phase of the reform are scant. “We need good teachers with good salaries, with decent working conditions. We also need for schools to go back to the state … and of course we think it’s of the utmost importance that nobody is left out of the university,” she said.
Months of massive student protests, demanding major changes to an education system that was privatized under then-dictator General Augusto Pinochet, helped shape the 2013 electoral campaign and propel Bachelet into power.

She took office in March for her second non-consecutive term promising to upend some of the long-lasting legacies of Pinochet's 1973-1990 dictatorship and to bridge Chile's wide income inequality gap.

Bachelet championed a recently approved tax overhaul that will boost the state's coffers by 8.3 billion dollars and help pay for the education changes. She also sent Congress a bill that seeks to balance labor relations by bolstering unions and workers' rights.

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Brazil forced to take some tough decisions
On January 19, Brazil announced tax increases on fuel, imports and consumer loans aimed at raising 20.6 billion Reais (7.7bn dollars) in additional revenues this year. The plan is part of an effort to help balance budget accounts and revive investor confidence, Finance Minister Joaquim Levy said at a news conference.

“The main goal of these measures is to boost confidence on the economy,” said Levy, who took office at the start of the year. “These measures, taken together, should improve confidence, encourage people to invest in Brazil and take risks.”

The taxes will help the government collect one-third of the savings it needs to meet debt-reduction goals for the year.

Levy, who said he is working on other measures to strengthen public finances, declined to say when he will announce potential cuts to this year's budget. Levy has also pledged to curb state intervention by scaling back subsidies to certain industries.

Credit agencies have threatened to cut Brazil's sovereign debt ratings if the government fails to arrest a surge in spending and gross debt.

The government will restore a fuel tax known as Cide and a Pis/Cofins social security tax on diesel, both of which had previously been eliminated, with the former adding 0.22 Reais per litre of gasoline and the latter 0.15 Reais to each litre of diesel. The increases become effective February first.

The reinstatement of Cide could prop up the ethanol industry, which said the elimination of the tax in recent years made it less competitive at the pump.

The Finance Ministry also raised the IOF tax on personal loans to 3% from 1.5%, while increasing a Pis/Cofins social security tax on imports to 11.75%. The measures include a simplification of the tax structure for producers and wholesalers of cosmetic products.

Brazil's complex tax system is often blamed by investors as one of the main obstacles to faster economic growth.

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China reaches out to Latin America with US$250bn in investments
Chinese President Xi Jinping pledged on January 8 US$250 billion in investment in Latin America over the next 10 years as part of a drive to boost resource-hungry China's influence in a region long dominated by the United States. The announcement was made as leaders of the Community of Latin American and Caribbean States, or CELAC - a 33-country bloc that does not include the United States or Canada - gathered in Beijing for the first time for a two-day forum.

Xi said two-way trade between China and Latin America was expected to rise to $500 billion in 10 years. "This meeting will ... give the world a positive signal about deepening cooperation between China and Latin America and have an important and far-reaching impact on promoting South-South cooperation and prosperity for the world," Xi said.

China and Latin America are cooperating on energy, infrastructure construction, agriculture, manufacturing and technological innovation, Xi said.
Deng Yuwen, a Beijing-based political analyst, said China was interested in the region's resources and markets. "Obviously, China has the intention to compete with the U.S. for a greater sphere of influence in the region," said Deng. "But whether this strategy will weaken U.S. influence now is hard to judge."

Matt Ferchen, resident scholar at the Carnegie-Tsinghua Centre for Global Policy, said China's push would not alarm Washington with improving U.S.-Cuba ties set to boost U.S. influence.

"The reality of economic-social ties, people-to-people ties, between any country in the region and the United States are so much deeper than anything that exists with China," Ferchen said.

"The Cuba deal changes everything in terms of how the United States can set a positive agenda in the region," he said.

China, the world's second-largest economy, is buying oil from Venezuela, copper from Peru and Chile, and soybean from Argentina and Brazil. In return, China has invested billions of dollars.

On January 7, Venezuelan President Nicolas Maduro said he had secured more than $20 billion in investment from China, while Ecuador said it obtained a total of $7.53 billion in credit lines and loans from China. "To repeat what (former) President Hugo Chavez said, China is demonstrating to the world that a country does not necessarily seek hegemony as it grows stronger," Maduro said in a speech.

The cooperation comes despite some in the region retaining diplomatic ties with Taiwan, which China regards as a renegade province. Out of 22 states that recognize Taiwan, 12 of them are in Latin America and the Caribbean.

Southern Hemisphere Mining does deal with Chilean private equity firm

Australian-listed Southern Hemisphere Mining has agreed a deal with a Chilean private equity (PE) firm to fund the next two years of exploration at its Juan Soldado iron-copper-gold project in central Chile. As part of the deal, Fondo de Inversión Privado EPG Exploración Minera, a company managed by EPG Partners in Santiago, would carry out US$1.2 million worth of exploration to earn a 50.1% stake in the project.

EPG, which is expected to manage the exploration programme, has to complete this work within two years of the deal being signed and should involve a minimum of 1,000m of drilling, according to Southern Hemisphere.

"EPG is expected to move quickly to realise value for their stakeholders and we look forward to working with them at Juan Soldado – a project where systematic exploration for IOCG-style mineralisation is readily justified,” Southern Hemisphere’s managing director Trevor Tennant said.

Juan Soldado is located in Chile’s Region IV, 20km north of La Serena in the centre of the country. It has four exploration licences over a 6km strike length on a structure referred to as the Romeral Fault, which hosts the El Romeral iron ore mine operated by Chilean iron ore and steel producer CAP.

This is not EPG’s first venture into a Chilean exploration project. Back in November 2013, the boutique Chilean financial services firm signed a similar agreement with New World Resource to earn a stake in the Agua Grande gold-copper project in Chile in return for funding exploration work.
Rousseff’s second term infrastructure challenges

(This article was written by Daniel Bland and was published in BNamericas on January 29, 2015)

Gaining investor confidence in the midst of a weakening economy is one of the key challenges President Dilma Rousseff of Brazil will need to overcome throughout her 2015-18 term.

One of the main problems is that many of the country's infrastructure projects are being carried out by the federal government and large construction companies, both of which are entangled in the federal police's "Car Wash" corruption probe. Other obstacles hindering investment in sectors such as transportation, energy and sanitation include constant changes throughout bidding and construction stages, and low rates of return in some cases.

A final hurdle is the fact that the president won her second term with a mere 3% advantage, so she could face challenges to gaining investor support on several issues and projects.

PAC: PHASE 1 AND 2

The two most challenging projects to complete under the first two phases of Brazil's growth acceleration plan, PAC, are the São Francisco river transposition project in the Northeast and the Norte-Sul railway running through the centre of the country.

The former, budgeted at 8.2bn reais (US$3.18bn), is aimed at expanding water supply primarily in semi-arid regions of the country. Work began in 2007 - with an original budget of 4.5bn reais - and is expected to be completed by the end of this year. The initiative is being carried out by Brazil's São Francisco and Parnaíba valley development company Codevasf.

As for the Norte-Sul railway, approximately 62% should be completed by year-end. The rail line is made up of various segments which should cost well over 2.66bn reais. Works are being supervised by federal rail company Valec.

PAC: PHASE 3

As for upcoming projects, the federal government must work on a few improvements to sufficiently attract private sector investors and make sure works are completed on time and within budget. Among them are standardizing procedures, reducing red tape, streamlining tender processes, paying fair prices to contractors, mapping out clear rules in advance, and developing well-rounded basic plans.

For 2015, some of the main infrastructure projects in the pipeline are port and railway concessions, port dredging, 2016 Olympic works, and projects included in the national sanitation plan Plansab.

The former, budgeted at 8.2bn reais (US$3.18bn), is aimed at expanding water supply primarily in semi-arid regions of the country. Work began in 2007 - with an original budget of 4.5bn reais - and is expected to be completed by the end of this year. The initiative is being carried out by Brazil's São Francisco and Parnaíba valley development company Codevasf.

As for the Norte-Sul railway, approximately 62% should be completed by year-end. The rail line is made up of various segments which should cost well over 2.66bn reais. Works are being supervised by federal rail company Valec.

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Mexico to add 66GW of energy to its power grid over 15 years

(This article was written by Adam Critchley and was published in BNamericas on January 23, 2015)

Mexico will add 66GW to its power grid over the next 15 years, with investments of US$90bn expected in renewables, said a high-ranking Mexican energy official. César Hernández, the Sener energy ministry’s electric power undersecretary, said during an Institute of the Americas webinar on January 23 that private companies and state utility CFE will have the opportunity to provide more energy to the country.
The energy reform will create a competitive market and encourage use of renewables by awarding clean energy certificates, Hernández said. The country will also see more investments in transmission to optimize connectivity, reducing CFE losses and risks to investors, he added.

The reform’s aim is also to lower electricity costs by diversifying sources of generation and assuring a reliable service. Electricity prices for residential customers dropped 2% at the beginning of this year, and declined 16% for industrial users over the last 12 months.

The CFE has pledged further price cuts as a result of the reforms.

"We envision a process in which the modernization of the industry reduces the cost of services transmitted to all users," Hernández said. "This process has already begun with fuel oil-generated electricity being replaced by natural gas, while generation using renewables is also much cheaper."

Mexico has sufficient resources to exceed its goal of 30% of energy generation from non-fossil fuels by 2024; 40% by 2035, and 50% by 2050, according to Sener.

Suppliers will fulfil power requirements by buying clean energy certificates, while income from certificate sales will allow clean energy generators to cover their costs and be more competitive, Hernández said.

Regulated suppliers will pay a regulated price for surplus energy, while unregulated suppliers can buy electricity from all users at market prices, with minimal regulation of on-site sales. Distributed generation will earn a fair payment and specialized companies can market the electricity generated, he added.

Sener announced earlier this month that wind investments in Mexico will total US$14bn over the next four years, with a goal of 9,500MW installed capacity by 2018, compared with the current 2,551MW.

Lawmakers in November expressed concern that Mexico’s renewable energy budget for 2015 had been reduced by more than 60% from 2014 levels. The approved federal budget for renewable energy investment for 2015 is 430mn pesos (US$31.5mn), down from 1.83bn pesos in 2014.

**WEF ranks Colombia the international benchmark in entrepreneurship**

The World Economic Forum ranked Colombia as an international leader in entrepreneurship. According to one of the researchers of the report this is because of increased innovation among the local entrepreneurs.

Colombia and Chile were cited as the current global benchmark of entrepreneurship by the WEF’s annual ranking. The study concluded that Colombia leverages the full potential of entrepreneurship in order to create growth, jobs and innovative offerings.

Colombia and Chile were the only two nations to perform well across all the variables examined in the report, with all other nations rating poorly in at least one variable.

The study conducted by the Swiss non-profit economic organisation World Economic Forum (WEF), in collaboration with Global Entrepreneurship Monitor (GEM) and Endeavour, compared new businesses’ activities and attitudes in 44 countries worldwide. It focused on the portion of the working age population involved in the early stages of entrepreneurial activity, the share of entrepreneurs who are expected to create 20 or more jobs and the share of entrepreneurs who claim to offer innovative products or services.
Entrepreneurship in Colombia

United States GEM Team Leader and co-author of the report Donna Kelley said to Colombia Reports on January 15, “it brings a lot of recognition to the country, I’ve heard the term A.B.C used in Latin America...Argentina, Brasil, Chile, and to now bring Colombia into that mix is very positive for people that live there and I hope that this does stimulate continued interest in entrepreneurship, especially the higher impact entrepreneurship we are seeing there.”

Kelley applauded the “government fostering networks of people to get together and share ideas... teams are more likely to be growth oriented and innovative, by sharing different areas of expertise, bouncing off ideas and motivating each other. This move towards fostering networks in Colombia appeared to be a very positive step towards creating higher impact entrepreneurs.”

Kelley also noted Colombia’s bolstered research and development, or R&D. She said that while in some countries, such as the United States, R&D in universities and companies is being reduced, it is on the rise in Colombia.

Colombian businesses “are moving from imitators to innovators and to do that you really need some home-grown R&D,” she said.

The senior director and head of investor industries at the WEF stated that Colombia exhibits high levels of new businesses launched by high-impact entrepreneurs who frequently innovate and expect to create a large number of jobs.

High levels of inequality and political instability remain the largest hurdle for entrepreneurship in the South American nation. Colombia has focused on developing a strong institutional framework to grow the number and ambition of its businesses in order to overcome this, said the report. “Try Fast, Learn Fast, Fail Cheap” was the model promoted by the director of entrepreneurship and innovation in the Ministry of Commerce, Industry and Tourism, the body responsible for promoting entrepreneurship in the country.

Legislation and government initiative

In the 1990s, Colombia’s government re-examined its approach to entrepreneurship and shifted from a protective industrial policy to one supporting small and medium sized businesses, said the report.

Alongside many initiatives designed to reduce regulatory barriers and increase capital available to business, Colombia’s shifting approach is best highlighted by two key pieces of legislation.

In 2006, legislation was introduced to galvanize entrepreneurship across all industries in the economy by generating a national and regional network for entrepreneurship development. In 2009, a national system of science, technology and innovation was created. The new system focused on aiding high-technology, high-impact entrepreneurship.

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Chile set to reform voting system and increase women in Congress

Chile looks set to make major changes to its electoral system so it will better represent voters’ wishes and ensure more women participate in politics, an issue close to the heart of centre-left President Michelle Bachelet.

The Senate recently gave the green light to Bachelet’s electoral reform bill, with the support of two opposition senators. The bill is expected to easily pass in the lower house and then be signed into law. The vote overturns a byzantine electoral system introduced by Augusto Pinochet before he departed from power that has effectively excluded parties that do not belong to one of two leading coalitions and prevented either coalition from winning a significant majority in Congress.

Pinochet, who ruled the South American country from 1973-1990, intended to ensure conservative parties retained a strong voice after the return to democracy.
To achieve this, he established a unique “binominal” voting system that ensures that the ruling centre-left coalition (the New Majority) and the centre-right bloc (the Alliance) take almost all the seats in parliament, shared pretty much equally between them. Two parliamentary seats are contested in each constituency. The winning candidate takes one and in most cases the candidate who finishes second takes the other. To win both seats, you have to win by a mile. That makes it difficult for either bloc to win a big majority in parliament, or for small parties and independent candidates to break their duopoly.

The new law also introduces quotas to increase the participation of women in Congress. Each party entering an election must ensure that no more than 60 percent of its candidates are just one gender. According to the Inter-Parliamentary Union, less than 16 percent of lower house politicians and 18 percent of senators in Chile are women, ranking it 93rd worldwide.

Interior Minister Rodrigo Peñailillo called the electoral reform vote an important step forward. “After 25 years this allows us to end an electoral system that was unique in the world and which has much done much damage to Chilean democracy,” he said.

The new law will use a more proportional system to elect politicians, at the same time as increasing the numbers of members of both houses.

"The system that we will have in our country will permit better representation and have more and better ideas in parliament,” Bachelet acknowledged, however, that the issue would seem “distant” to many Chileans, at a time when the economy has been slowing and opinion polls show people are most worried about jobs, health and education.

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Panama Canal planning major transhipment port on the Pacific

The Panama Canal Board of Directors this month formally approved the development and construction of a transhipment port in Panama’s Corozal region. Upon completion, the port will have the capacity to handle more than five million TEUs within a 120-hectare area at the Canal’s entrance to the Pacific. The project is now awaiting the final step for approval from Panama’s National Assembly.

The project is geared to further Panama’s position as the logistics and maritime hub of the Americas. The two-phased port project will include the construction of a 2,081-linear-meter-dock, a container yard, offices and warehouse facilities within a 120-hectare area owned by the Panama Canal.

The project’s first phase will include 1,350 linear meters of docks, three docking positions for Post-Panamax ships, and an approximate handling capacity of three million TEUs. Currently, the Pacific side has an estimated capacity of five million TEUs. With the Expanded Canal, demand on the Pacific side is expected to reach six million TEUs and by 2020, eight million TEU capacity.

The Panama National Assembly is expected to review the bill in the coming days. If approved, the Panama Canal will move forward with the development and tender process. The project is expected to create hundreds of new jobs during its construction phase, boosting the local economy. The Panama Canal will issue a call for bids to hire a company that will be responsible for all stages of the project. The contract will, most likely, consist of a 20-year concession, renewable once for 20 years.

“Advancing the terminal in the Corozal region is a priority. It is part of the Panama Canal’s goal to explore and develop areas, products and services that are close to our core business, and that add substantial value to our customers as a one-stop gateway with multiple services,” stated Panama Canal Administrator/CEO Jorge Luis Quijano.

Currently, the Panama Canal is exploring several other projects in line with this objective. The advancements in the Corozal port represent great progress.

The new port terminal will also include the construction of port facilities capable of handling Post-Panamax vessels. With a terminal of 16.3-meter-deep access canal and a depth of 18 meters along the dock, the new facility will provide docking facilities for five Post-Panamax ships.
**For the diary**

If you would like to know more about how your company can take advantage of the events that the ALABC will be hosting in 2015, please contact our Marketing and Events Manager, Steph Patrick at [secretariat@alabc.com.au](mailto:secretariat@alabc.com.au) or Tel: 02 9431 8651

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<td>Norton Rose Fulbright, Level 39, 108 St Georges Terrace, Perth</td>
<td>ALABC</td>
<td>Steph Patrick, <a href="mailto:marketing@alabc.com.au">marketing@alabc.com.au</a></td>
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<td>Rosie Atherfold, <a href="mailto:rosie.atherfold@austmine.com.au">rosie.atherfold@austmine.com.au</a></td>
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<td>Lauren Carey, <a href="mailto:laurenc@paydirt.com.au">laurenc@paydirt.com.au</a></td>
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