Key takeaways from the Australia-Latin America Business Networking Event 2020
"Latin America: Diversify your Growth"
Co-hosted by ALABC and COALAR.
Wednesday 14th October 2020

Richard Andrews: Chairman ALABC
Initial comments about Latin America:

Latin America has been growing in economic importance for Australia in recent years. Chile, for example, in 2009 became **just the fifth country in the world with which Australia entered a free trade agreement**, and this basis for exchange has only been bolstered through both countries' membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – an accord that also includes Mexico and Peru. More recently, Australia signed an FTA with Peru.

In addition to such agreements, the increased trade between Australia and Latin America has been stimulated by a gradual move by both sides away from their traditional reliance on exporting primary products and towards services and manufactured goods. As global commerce and trade become more and more digitised, particularly amid the potential long-term transformations brought about by Covid-19, exchange between these increasingly service-based economies could no doubt be accelerated.

Mr. Alberto Calderon: MD and CEO of Orica,
takes over as the new Chairperson of the Council on Latin America Relations (COALAR):

Mr. Alberto Calderon made his first official speech as COALAR's Chair at the Australia-Latin America Business Networking Day, on the 14th October 2020.

The new Chair of COALAR mentioned the close relationship and dependency, that exists between Australia and Latin American countries, especially in the resources industry, where collaboration in areas such as the environment, productivity and many other fronts have been mutually advantageous and worth continual exploration.

In that sense, he expressed his willingness to continue partnering with ALABC in bringing together, government and businesses to discuss the important issues of diversifying markets during these extraordinary times.

Mr. Calderon also announced a special grant round targeting COVID-19, with a specific focus in digital technologies to assist in the recovery of business between Australia and Latin America. The official call will be published on the DFAT website.

Eduardo Suarez: Vice – President Latin American Economics at Scotiabank:

Latin America is the region where Scotiabank has chosen to expand very aggressively prior to operations in Toronto, Canada and Australia. Currently, the Bank has more than 60,000 employees based in the Latam region.

What do we like so much about Latin America?

In spite of going through challenging times, Eduardo believes that there are some very attractive long-term dynamics in the region that make it very attractive as a long-term investment opportunity. It's a region that can be characterized as being part of the global middle class, a very large market that is attractive for multinationals.

Income:

For many consumer brands, when you break the US $5,000 in terms of income, a market becomes an attractive opportunity for non-durables. In the Latin American region, most of these countries have an income between $5,000 to $20,000. Most of the region is over the $10,000 mark, thus becoming very attractive for durables as well.

Demographics:

Just looking at five of the largest markets in the region, the growth in population will add 65 million new consumers over the next 30 years. With today's income level, that would be equivalent to creating a new economy the size of Colombia, Singapore or South Africa. The increase in the size of the Latin American market will be largely noticeable.

Women in the labour Force:

Women have an extremely strong influence in Latin America and the increased participation of females in the formal labour market has been overwhelming, especially for countries such as Peru and Chile. Due to this, this means that the capacity of households to consume has drastically increased. The same situation applies to countries such as the Dominican Republic, Costa Rica, Panama and numerous other countries that manage to convert from a country of $3,000 of income per capita to over $10,000, in just a couple of decades.

Well-funded social security systems:

The pension reforms developed in Chile in the 1980's and exported to majority of the region where each individual makes mandatory contributions to his/her own saving account, has created a diverse pool of domestic savings, which in turn has allowed interest rates in the region to fall, affecting consumption dynamics in the region. Now these countries have the capacity to take out debt in their own currency at fixed interest rates for much longer, which increases the demand and supply of durables such as housing and cars.

Chile, Colombia and Peru entered the crisis with very strong growth dynamics and prospects; therefore, the expectation is that growth will start strong for the recovery next year.

As the region entered the COVID crisis, countries such as Colombia, Peru, Chile, Costa Rica and the Dominican Republic have had very prominent growth dynamics and growth prospects, while other countries have experienced growth challenges, burdened by the government's debt to GDP ratio.

Countries including Brazil, Mexico and Argentina have been negatively impacted by COVID-19, but they have strong fundamentals and large markets, making these countries desirable for Australian companies to consider doing business with.

Many countries in the region have agreements with other countries such as Australia, Canada, Europe, United States, Japan and China which protect investors and also display an attractive investment destination at a time when, when global politics is making us question assumptions that have not been questioned in the past.

Jose Blanco: Chairman Emeritus of ALABC - Panel Moderator:

What is it that we should be doing to try and strengthen the trade that we already had and what do we want to continue to grow? How do we re-build the education links, in both directions? I know that there are also many Australians, that would like to visit Latin America.

Tony Prescott: Director, Department of Home Affairs:

The Australian government will continue to enhance the efficiency of our employment creation systems and facilitate the movement of goods and services across the border while at the same time, building and maintaining the integrity of our critical infrastructure.

We will continue to partner with business and industry, and international counterparts to enable the preclearance of travellers ahead of arrival in Australia and in the longer-term streamline business travel. Carefully targeted migration programs will also play a role in helping to rebuild our economy and the government is committed to keeping a capped ceiling of 160,000 places for 2020-2021. The majority of the positions available in the program are in the Skills Stream.

Earlier last month the government announced an increase in innovation and investment program to 13,500 places. Through initiatives like these we see opportunities for exchange of people and investment in a simplified trade system which will more efficiently facilitate trade and reduce red tape.

Natasha Monks: Trade Commissioner to Peru - Austrade:

Austrade is acting by reaching out to prospective exporters to diversify their international markets and by providing relevant online information about the market environments.

We are seeing that Australian companies are expressing increased interested in the Latin American region. The number of services Austrade offices has provided, has increased by 20% from the same period compared to last year. This has been mainly apparent with the METs, food and agricultural sectors and education.

Latin America makes up around 8% of total international student enrolments in Australia in 2019 figures. Student mobility has been severely impacted due to the Coronavirus pandemic. This presents the potential to support the much-desired diversification of Australia's education offering through products and delivery models. It is important to keep pace with the needs of the local market. There has been a rapid transition to online learning and the delivery of teaching, still continues in this way in much of the region.

There is not only the opportunity to deliver courses online directly, but also through the efforts being made across the region to train teachers and educators in enhanced innovative methods for schools and higher education. It is also important to consider flexibility in product and price, because for education, our markets are still price sensitive. With some

currency fluctuations now is a time to diversify the offerings and maintain the foothold that Australia has enjoyed in the region.

Parents and students place a higher value on the campus experience, therefore there is less willingness to pay equal fees when the learning experience is purely online, even if the course content is identical. Austrade recently commissioned a survey to better understand the post pandemic preferences of learners and corporates in Latin America towards online delivery of education. Learners prefer live online classes, so the consideration of time zones is of importance, when opting for online coursework and live classes.

There is now wide acceptance and even preference for some training areas to be conducted by an external provider online. This presents opportunities in upscaling in those key areas of economic recovery such as mining, where industry is now accelerating their own transformation agendas to future proof their business in fields such as automation.

In terms of action that can be taken now to renew our relationship through international education, staying engaged and demonstrating solidarity is important now more than ever. This is a region that requires long term commitment to the most significant returns but also can see short term gain. While the six key priority markets are distinct in terms of their size opportunity and cultural aspects, one commonality is that relationships are important. A comprehensive strategy for virtual engagement in the region can most certainly be achieved now without the need to wait for travel.

Adrian Beer: CEO – METS Ignited:

Partnerships is certainly key for the relationships already established between Australian technology companies in Latin America. The pandemic has played out for us a giant demand for technology and Latin America is an accessible market already. More than 300 Australian METS companies have already established relationships in Latin America. There has been a very long history of success in automation in remote operations and the application of various technologies in our local market.

This in turn, has increased the demand for skills in regional areas, and also in remote communities. The ability to deliver these training and development course programs to upskill people and to deploy technologies remotely is a key area of growth, and we're actually seeing a huge increase in demand. This is potentially a $5 billion export market for Australian technologies into Latin America.

Matthew Johnson: Counsellor (Education and Science) - The Department of Education:

For Australia's education providers who are partnering in Latin America, Australia features in at least the top five, if not higher, in terms of desirability for students and families for their overseas study experience. The reputation of Australia is still strong, but obviously the emphasis with the on-campus experience is going to mean that our providers need to be more creative when presenting opportunities.

Australian providers are already working through the Pacific Alliance countries on developing occupational standards in a range of industry sectors. In Brazil, the Department of Education has been working with the Brazilian government around sharing expertise on how to reform their vocational education sector and recognising that this sector is a way of stimulating economic growth through the training and upskilling of human resources.

Developing work around education systems opens opportunities for our providers to share and contribute in international education besides the mobility of students. This is important in terms of aligning systems to further increase the trade over time, but it's also really important that relationships remain even through times of economic crisis. Sharing some of our experience can help countries to build their own effective education systems, which will then contribute to mobility of labour and mobility of students, when the world eventually reopens.

In terms of the research sector, Australian providers and researchers are doing quite well in a range of very strategic research departments such as water management. Those areas associated with mining and other technologies such as health, are also strong industries for both Australia and the Latin American region.

We are seeing a focus from the Australian sector to move into those areas stimulated by relatively small investments in the past, for example the PhD internship program that was managed by the Australian Academy of Science and funded by the Australian Government had a very good focus on early career research. Investments of this calibre offer realistic dividends and a number of Chilean, Argentinian, Brazilian and Colombian participants are receiving global talent visas.

Natalia Gorrono: Senior Trade and Investment Director, Latin America - Global Victoria:

What needs to be restored while students can't travel?

First, focusing on promoting options like blended programs, and online courses. When it comes to education delivered via an electronic medium, it is important that our institutions be culturally sensitive to prices as we are competing against very aggressive countries like Canada.

The second thing we need to do so that we can restore and retain our market share, is to continue positioning Australia as an education destination and that can be attended virtually. Austrade, TIQ and the Victorian Government are collaborating to make this a reality. Currently, there are a number of successful campaigns being rolled across the region.

It is important that we remain in the forefront of their minds, and that means continued engagement with key stakeholders virtually, as we need to continue building links with research institutions. We are actively connecting Victorian researchers with Brazilian counterparts to try and deepen the knowledge exchange relationship.

Regarding rebuilding, once we start seeing an exchange of people between borders then what do we do to rebuild? State and federal governments both will have to invest heavily in marketing campaigns and positioning Australia as a safe, welcoming and innovative education destination. In the past few years we have seen countries like Canada, New Zealand and England move very quickly and take a fraction of our market share.

Working with student recruitment agents will continue being important, and when we do want to start getting students across, ensuring a presence of support is critical. We encourage recruitment agents to look at investing in representatives based geographically in Latin America for student recruitment.

Another area education institutions should be considering is rebuilding generous scholarship opportunities to increase positions for Latin American Students in Australia. For many Latin American students, working in Australia is very important as being able to access a diverse pool of jobs during and post studying is crucial for their employment success.

Other sectors of Opportunities:

Agribusiness

Some of the areas of opportunities that were highlighted by the speakers during the sessions are: Agriculture-Agritech. Brazil and Argentina, which are two of the world's biggest agricultural production countries, have a keen interest in technologies to improve produce, to grow their export-oriented industry and to supply premium food across global markets and reduce costs. Given our expertise in cattle management, agriculture innovation, traceability, food safety, water management solutions, precision agriculture, smart livestock management and automation are all relevant sectors to focus growth trends towards.

Energy

Clean energy and green hydrogen are a major focus for the Chilean government and industries are wanting to attract and partner with Australian energy technology exporters on new projects.

Digitalisation

Online commercial platforms are gaining traction for tech companies that can focus on digitalisation solutions. That's where we see new and emerging sectors for Australian companies.

With the new Asia and South America digital gateway (submarine cable) connecting Australia and Chile, plus the 5G networks rolling out across the region, provides new opportunities for data driven businesses. We mentioned fintech’s, ad tech’s and scientific data exchange to improve health and medical technology. Brazil has a large and sophisticated market looking to implement telemedicine throughout the country and a number of Australian suppliers of medical devices and pharmaceutical diagnostic devices are evaluating the opportunities.

We've got CSL Behring, Cochlear, Pharmacare and IMXHS have all opened offices in Colombia, in the last two years. This demonstrates its great opportunities in the market for Australian companies.

In Mexico, advanced manufacturing, defence and aerospace are also opportunities.

Nearshoring

Latin American countries are looking to take advantage of the developments in the United States to offer a Made in America program. This has seen some countries start to focus on the nearshoring opportunities of bringing production from Asia to the region, and how this might benefit or interest Australian businesses to take advantage of the USMCA and the CPPTP.

We've seen this predominantly happening in Mexico. One of the sectors that's actually rebounding the fastest from the COVID crisis, has been manufacturing, construction and logistics related to manufacturing. Companies like Foxconn are examples of these.

Senator the Hon Simon Birmingham: Minster for Trade, Tourism and Investment:

The Minister for Trade, Tourism and Investment mentioned that Australian businesses, such as BHP, have been supporting local communities in Ecuador. Newcrest has established in Australia a $20 million fund to support local communities to address the health crisis in Colombia. South 32 has donated around 900 COVID-19 tests, over 10,000-personal medical kits and some 29,300 units of medical equipment.

While the focus rightly remains on preventing further loss of life, we must also turn our eyes to the economic recovery, keeping goods and services market and investments open and supporting the central role of trade as our economies are experiencing dramatic downturns.

Australia's GDP is down by 7% in the June quarter, while the IMF predicts that output in Latin America will contract by 9.4% in 2020. Steep declines in trade have been a part of this as the World Trade Organization estimates that the volume of merchandise traded globally, will drop anywhere between 30 and 32%.

Services, including two of the biggest sectors in the Australia-Latin American relations; education and tourism, have been provided extra targeted support to kickstart our economic recovery as quickly and smoothly as possible.

Australia also remains focused on expanding opportunities for exporters, trade and investment relations. This is where there's a real opportunity for Australia and Latin American countries to be partners in each other's recovery as our economies are becoming closely linked more than ever before by trade and investment agreements.

We already have in place, the comprehensive and progressive agreement for Transpacific Partnership, which is creating new market opportunities in Mexico, and expanding on, in addition to Australia's high quality bilateral free trade deals with Peru and Chile.

We're also looking to build on this by progressing negotiations with the Pacific Alliance economies in Colombia, Mexico, Peru and Chile. The Australian Government is increasingly optimistic that Australia can move on within the next year. This would represent another boost for our relationship, not only with Pacific countries, but with Latin America.

We look forward to once again welcoming Latin American students and travellers to our shores and to seeing Australia’s education have a critical recovery, while also helping to upskill, the next generation of professionals across Latin America.

One of our most important areas of economic cooperation is the mining industry. It's also proven to be a source of strength and will be a focal industry for recovery. As you will appreciate over 60 ASX listed mining companies operate across Latin America. They have much to offer, bringing their expertise, capital and technology to deliver projects that create jobs and drive growth.

In Peru, Orica recently announced a $250 million US investment as part of its long-term commitment to the country. The team at Orica are extremely proud of the resilience shown in Colombia and Panama, where production was maintained and resumed quickly as mining companies in Latin America were looking to accelerate innovation. Australia's world leading Mining Engineering Technology sector is well placed to meet this growing demand.

There are also opportunities to work more closely on renewables and emerging technologies. It is wonderful to see Australia partnering with CSIRO in Chile to collaborate with government and industry counterparts on hydrogen production.

All of these sectors offer significant potential in Australia's ongoing relationship with Latin America. Just as important though is that we continue to work together to keep the global trade and economic system free and open rules based to large economies that thrive on predictable free flow of trade and investment. Australia and many Latin American countries have a shared interest in strengthening systems and maintaining openness is vital to our recovery and to ensuring that it is as rapid as possible.

We see a group of genuine partners for the recovery, whether it be trade, innovation, or ensuring the international rules-based system.

Looking at the diversification opportunities in terms of supply chains and relations across much of the rest of the world, Australia looks across the Pacific, and to our friends in Latin America. We can find many partners who are often of comparable size, in terms of the economic output and contribution. As a result of that desire to broaden the base of supply chains, and to further reach out and diversify economic and investment ties across deployment.

Whilst some of the immediate challenges presented by COVID are real and do create impediments to progress, the longer-term changing attitudes perspectives, caused by COVID gives opportunity to deepen these relations and community that we want to see.

Can the Pacific Alliance survive the new national inward-looking approach, being taken by most countries? Is it still the preferred vehicle for Australia to connect with the region?

Yes, there are elements in this commentary that are true, and we can see it coming from a number of parts of the world. But the concern, it does not necessarily impede progress in areas such as the Pacific Alliance.

We in fact welcome Pacific Alliance nations to try to look at the agreement, through perhaps through a different lens, I think it would be a wonderful step forward. The Pacific Alliances is not our sole entry point into the region. As I mentioned before, Australia has a number of existing agreements that we have in bilateral level and in the CPPTP, and of course, our willingness to cooperate in a range of ways will only be strengthened through those agreements.

Like many such discussions underway around the world, the finalization of an agreement with the Pacific Alliance, wouldn't just give us the outcome of and increased market access provisions , but would also symbolically show that despite some rhetoric questions about increased protection, these types of approaches have been applied on a temporary basis.

We are working through trials and getting pilots off the ground in order to return international students to Australia, however our focus across my portfolio and particularly across the education sector is in regards to the long term strengths of the Australian education system and how we ensure our promotional campaigns are presented for optimal opportunities for growth and diversification.

Her Excellency Diana Nelson - The Australian Ambassador in Peru:

Ambassador Nelson made three key points:

The first point includes Australia's very positive reputation in this region. Latin America very much looks to Australia as a model for sustainable mining to quality education, and they are very keen to learn from our record of economic and public sector reforms. Our expertise in working with rural and remote indigenous communities provides valuable insights for the region. High environmental and labour standards, and our track record of sustainable development are all areas where Latin American governments are looking to emulate what Australia has done.

The second point the Ambassador mentioned is the very high demand in this region for quality technology, and services. Although we produce many of the same products, the fact that Latin America has so many internationally competitive export sectors such as mining and agribusiness means that they're in the market for and can afford to purchase world leading innovation and technologies. We have heard today that we've already done very

well in the METS sector and in the mining sector. There is however an untapped potential in other sectors such as agritech.

And thirdly, we really do have a successful track record in diversifying our growth in the region beyond mining and education. This clearly demonstrates what can be achieved in a post COVID world by creating new demands for solutions in the mining sector that enable remote work.

We need to look at other sectors including agriculture, health, water management and infrastructure. These are all sectors that offer future potential and as the minister mentioned, we've got a network of FTAs that are creating preferential access to support growth in exports to products, such as beef, wine and beer. Given the demographics of the region and increasing consumption and growing middle class, those opportunities are only going to increase.

Working very closely with ALABC, Austrade, Embassies in the region, and of course, with COALAR launching a COVID-19 grant round that's going to be focused on digital technologies to assist with economic recovery is extremely beneficial for generating positive results.

It is particularly important for Australian businesses to bear in mind that despite some negative reporting in the region about the economic order posed by the coronavirus, the reality is that most countries in the region are going to look to resources as a source for revenue. To be able to revive their economies to the one that we have in Australia, is a very positive indicator of the extent of the opportunities that are available for Australian business now in the coming years.