

LATIN AMERICA DOWNUNDER PREVIEW

Looking long-term in Latin America

Investors need to think long-term when approaching opportunities in Latin America, a senior adviser in the region has said.

Konrad Huber, senior adviser with strategic risk advisory services company Veracity Worldwide, said Latin America was a great destination for investment if pursued in the right manner.

A sticking point in many countries is the handling of local issues, which can become "quite tricky" in places such as Colombia, Peru and to lesser extents Brazil and Chile, Huber said.

"Often in Latin America you have relative clarity, in terms of the investment and regulatory environment, and there are potential pitfalls as with anywhere with regards to certain partners you get involved with and how best to manage the regulatory environment," Huber said.

"(Depending) on how proactive and smart you approach the regulatory issues you might be able to enhance your project and shave some months or millions of dollars on upfront costs or efforts that are vitally important."

Huber's comments are well timed considering the dilemma Barrick Gold Corp faces at its \$US8 billion Pascua Lama gold-silver project on the Chile-Argentina border.

Barrick had scheduled production for sometime in 2014. However, the potential threat the project poses to nearby glaciers, ultimately affecting local water supply, has led to protestations from local indigenous communities.

The fate of Pascua Lama will be decided by the courts and there are mixed opinions on when/and if the project will go ahead.

The fact that Barrick – the world's largest gold producer and multibillion-dollar company – with all its resources and expertise on board, hasn't been able to satisfy local environmental concerns illustrates the task at hand for wannabe operators in Latin America.

Similarly, Vale is encountering difficulties of a different kind as it wrangles with the Argentine Government over tax breaks associated with its massive potash project.

Vale has suspended the development of the \$US6 billion Rio Colorado project (about \$US2 billion is believed to have been sunk already), with the company reportedly looking to Brazil and Canada for potash projects to feed the former's agriculture sector.

While Vale and Barrick are faced with complicated situations in separate jurisdictions,



Konrad Huber

the challenges are far from insurmountable and objectives can be achieved with the right direction and advice, Huber said.

"While the investment environment can be largely favourable (if options and potential pitfalls are analysed with care), you do not want your project ever to end up in court, whether

of who is likely to be supportive of the project and what overall strategies a company can adopt to ensure the success of its projects.

"This requires patience and strong commitment to dialogue. In many of these countries, particularly in remote areas, commitment to dialogue involves a lot of people and is not necessarily a straightforward process and something that you can map out. You really need to think these measures through and make sure your technical and finance guys are onboard with the complexity of the process you're engaged in. That invariably involves adjustments to the way plans are rolled out," Huber said.

Huber is joined at Veracity by former Prime Minister of Peru Roberto Dañino who sits on the advisory board.

With the level of intelligence and knowledge at Veracity, the company is entering a period of expansion while continuing to assist clients deepen their understanding of the region and their ability to operate there.

While the likes of Chile, Peru, Colombia and Brazil remain popular destinations for foreign investors, Huber said junior mining houses were broadening their scope of investment.

"There is a range of juniors looking at different countries from Panama to the Dominican Republic and smaller gold plays in Central America. Mexico has now become a major silver producer again and has received a great deal of investor attention. I think the investment climate there is probably the one that has improved the most in the last couple of years."

Nevertheless, Australian companies such as BHP Billiton Ltd and Rio Tinto Ltd (even though they are recognised as UK companies in Latin America) are generally seen as good corporate citizens, which is good news from an Australian perspective, Huber said.

However, Australia isn't widely known in Latin America and could certainly do more to increase its profile and better market its expertise and ingenuity in mining to help improve the region's inefficiencies, Huber concluded.

– Mark Andrews

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here or in the other countries discussed. As one interlocutor quipped, if you sue the state, you will eventually lose.

"Unfortunately, those quips can be all too true. In many of the countries in the region there are generally two types of partners: the ones who want to make money with you, and the ones who want to make money from you. The key is to figure out who you're dealing with. In short, there's no good business to be done with the wrong partner."

All-encompassing analysis of the overall investment requirements, including rules pertaining to JVs and the social, political and environmental dynamics, are some of the essential areas to be addressed prior to engagement in Latin America according to Huber.

"Then there is the more detailed analysis