



# LATIN AMERICA

***Financing your international expansion into  
Latin America***

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leadership beyond finance



# PRESENTERS

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# AGENDA – EDC AND SCOTIABANK



## ➤ Overview of EDC:

- ✓ Role and Mandate
- ✓ Solutions, including financing foreign growth and expansion
- ✓ Example Transactions
- ✓ EDC's Foreign Representation and EDC's Top Markets

## ➤ Latin America

- ✓ Preconceptions versus Realities
- ✓ Ease of Doing Business
- ✓ Environment and Strategies

## ➤ Scotia

- ✓ Scotiabank capabilities and presence in Latin America
- ✓ Economic outlook for Latin America
- ✓ Challenges to be aware of

## ABOUT EDC

- › Canada's Export Credit Agency
- › Crown corporation
- › Financially self-sustaining
- › Operates on commercial principles
- › In 2014 served about 7,400 customers and supported business in 198 countries

Facilitated  
\$99B in  
business

4% of GDP

- › Our mandate: *To support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade as well as respond to international business opportunities.*



# POLLING QUESTION: POLLING QUESTIONS #1

What is the largest barrier you see (or have experienced) to foreign expansion or to establishing a foreign presence?

- a. Access to financing
- b. Market intelligence
- c. No interest from your customers for you to do so
- d. The costs of doing so
- e. Too much risk
- f. Language or cultural barriers

# CANADIAN DIRECT INVESTMENT ABROAD (CDIA)

› While we often support “traditional exports”, CDIA is a growing trend.

› Why?

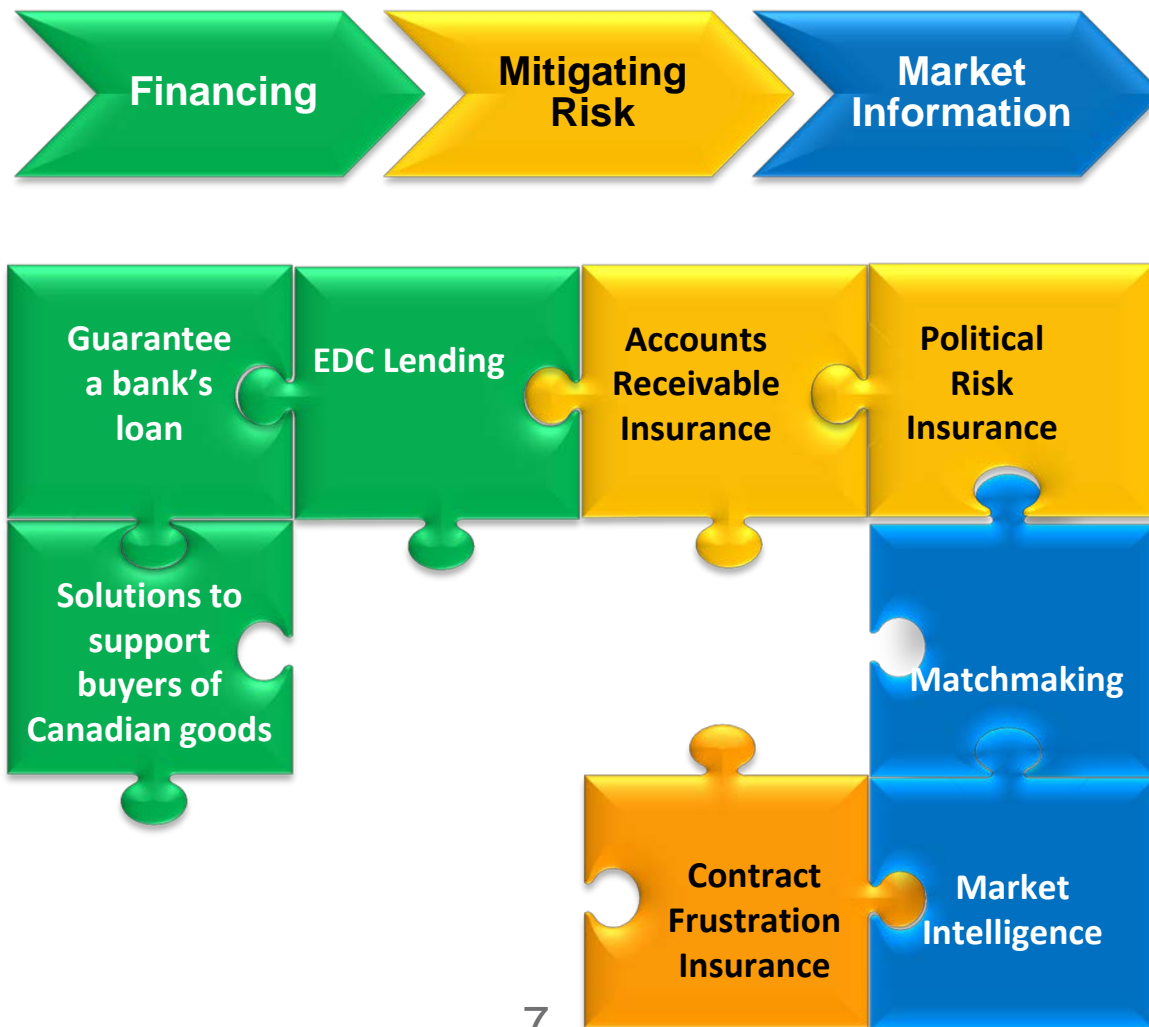
- ✓ Getting closer to customers and suppliers
- ✓ Enhancing supply chain
- ✓ Entering new markets
- ✓ Lowering Costs
- ✓ Strategic reasons
- ✓ Labour Shortages

› Challenges?





# HOW CAN WE ADDRESS THE CDIA GAP



# EXAMPLE OF SUPPORT

## Overview and Challenge

- Canadian automotive company has expanded into Mexico to meet customer demand.
- Canadian bank appetite to finance equipment in Mexico?



## Solution

- Our financing
  - We can partner with a bank such as Scotia or EDC can lend directly
  - We always explore bank partnership options before lending directly



# EXAMPLE OF SUPPORT

## Overview and challenge

- Company was considering expansion into Latin America to meet market demand and to get closer to customers.
- However, the company did not have strong contacts in that marketplace, and was looking for information on how to enter the market.

## Solution

- Our representatives are able to provide market intelligence and contacts.



# EXAMPLE OF SUPPORT

## Overview and challenge

- Canadian exporter operates foreign affiliates in markets around the world including Chile, Colombia, and Peru.
- The company has exposure to political risks.

## Solution

- Political Risk Insurance (PRI)



# EXAMPLE OF SUPPORT

## Overview and challenge

- Company ABC exports around the world and also has foreign affiliates.
- There is insufficient bank margining and working capital.

## Solution

- An Accounts Receivable Insurance (ARI) policy



# EXAMPLE OF SUPPORT



DECEMBER 2014 | BRAZIL  
**\$25-50 million**, Financing

Support of pre-export  
financing



**\$50-100 million**, Financing

Support of future  
procurement of various  
Canadian goods and  
services



JANUARY 2014 | MEXCO  
**\$50-100 million**, Financing

Sale of Various Canadian  
Goods and Services



JUNE 2014 | CHILE  
**\$250-500 million**, Financing

Sale of various Canadian  
goods and services



MARCH 2014 | MEXICO  
**\$250-500 million**, Financing

General Corporate  
Purposes



APRIL 2014 | CHILE  
**\$25-50 million**, Financing

General Corporate  
Purposes



MARCH 2014 | PERU  
**\$100-250 million**, Financing

Sale of various Canadian  
goods and services



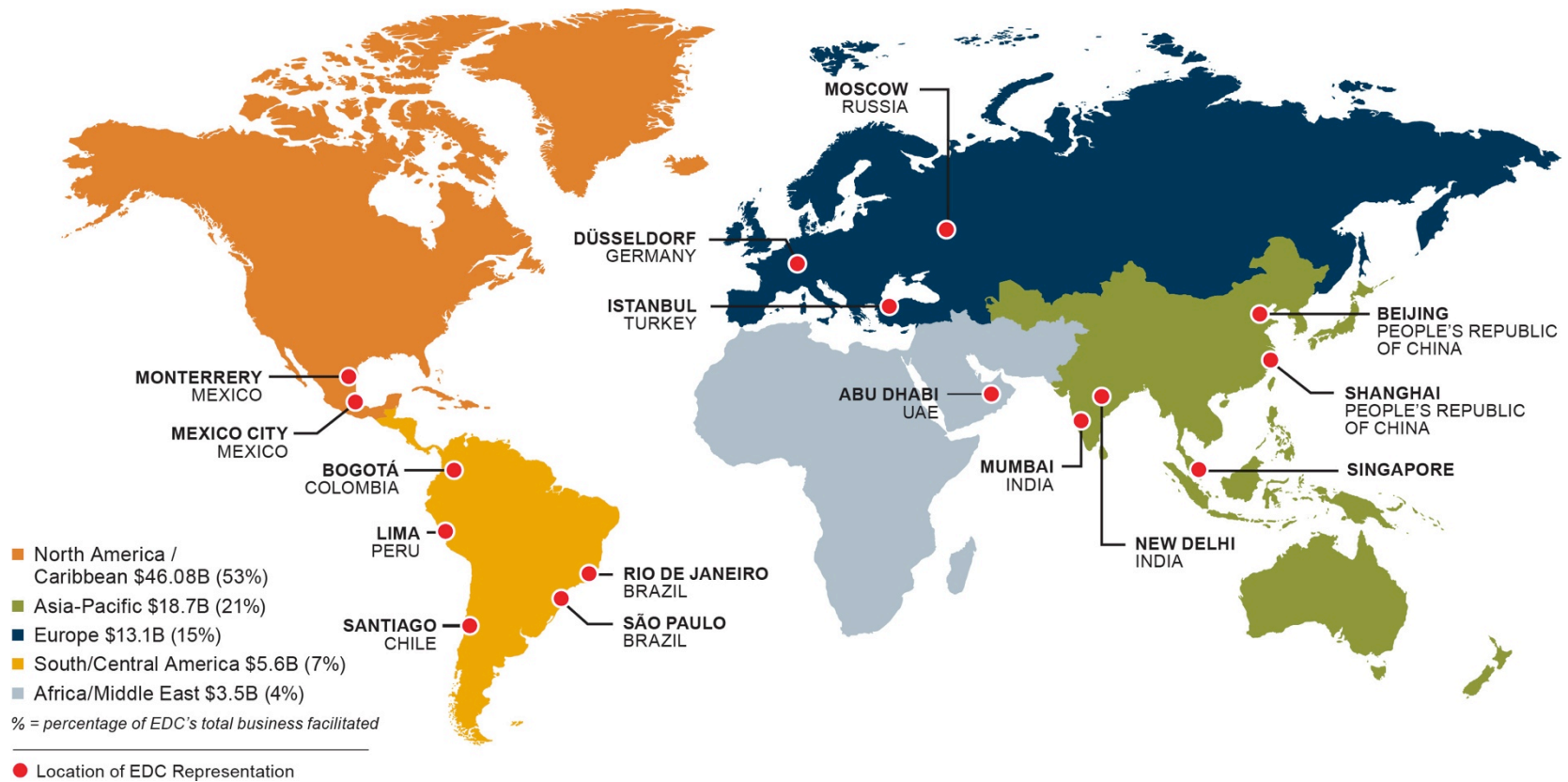
JANUARY 2014 | BRAZIL  
**\$500 mln – 1 bln**, Financing  
Support of future  
procurement of various  
Canadian goods and  
services

## POLLING QUESTION: POLLING QUESTIONS #2

Which Latin American markets are you thinking of establishing a presence in?

- a) Mexico
- b) Brazil
- c) Peru
- d) Colombia
- e) Chile
- f) Panama
- g) The Caribbean
- h) Argentina
- i) None of the above

# OUR FOREIGN REPRESENTATION





# LATIN AMERICA - PRECONCEPTIONS





# LATIN AMERICA - REALITIES



# WHICH EXPORT MAKES YOUR COUNTRY THE MOST MONEY?



## Factors Impacting Economic Cycles in Latin America



Importance of  
Commodities



Exports to China



Currency Fluctuations

Source: [www.globalpost.com](http://www.globalpost.com)

# LATIN AMERICA OVERVIEW

	<b>Population</b> (millions)	<b>GDP</b> <b>US billions</b> (Official exchange rate)	<b>S&amp;P</b> <b>Ratings</b> (Foreign Currency)	<b>Ease of</b> <b>Doing</b> <b>Business</b> <b>Ranking</b>	<b>Global</b> <b>Competitiveness</b> <b>Index</b> <b>Ranking</b>	<b>FTAs</b> <b>In Force</b>	<b>FTA w/</b> <b>Canada</b>
Canada	36	1,825	AAA	16	15	11	
Chile	18	277	AA-	41	33	19	✓
Peru	30	210	BBB+	35	65	14	✓
Colombia	48	369	BBB	34	66	7	✓
Mexico	122	1,261	BBB+	39	61	11	✓
Panama	4	41	BBB	52	48	9	✓
Uruguay	3	57	BBB	82	80	5	
Brazil	203	2,246	BB+	120	57	4	
Ecuador	15	91	B+	115	-	-	
Argentina	42	610	SD	124	104	4	
Venezuela	30	438	CCC	182	131	1	

Sources: IFC, WEF, S&P, CIA, OAS

# MARKET ENVIRONMENT

- › Credible macroeconomic policies – investment grade ratings
- › Political stability
- › Business friendly environment

	Peru	Colombia	Mexico	Chile	Latin America & Caribbean	Canada
<b>Ease of Doing Business Rank</b>	35	34	39	41	100	16
<b>Starting a Business</b>						
Procedures	6	8	6	7	8	1
Time in days	26	11	6	6	30	5
<b>Registering Property</b>						
Procedures	4	6	7	6	7	6
Time in days	7	16	73	29	63	17

## REGIONAL SUPPORT:

### TYPICAL EVENTS WITH MATCHMAKING: EDC AND DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND DEVELOPMENT (DFATD)

Event	Sector	Country
Exponor	Mining	Chile
Perumin/Extamin	Mining	Peru
PDAC	Mining	Canada
Andesco Congress	Renewable Energy	Colombia
Mobile World Congress	ICT	Spain
Brazil Power Mission to Canada	Power	Canada
Colombia Infrastructure Mission	Infrastructure	Brazil
Congreso Mexicano de Petroleo	Oil & Gas	Mexico
Plastimagen	Plastics	Mexico
ExpoMinera	Mining	Mexico
Global Petroleum Show	Oil & Gas	Canada
Expocorma	Forestry	Chile

# Scotiabank's Growing Presence in Latin America



## Summary of Operations

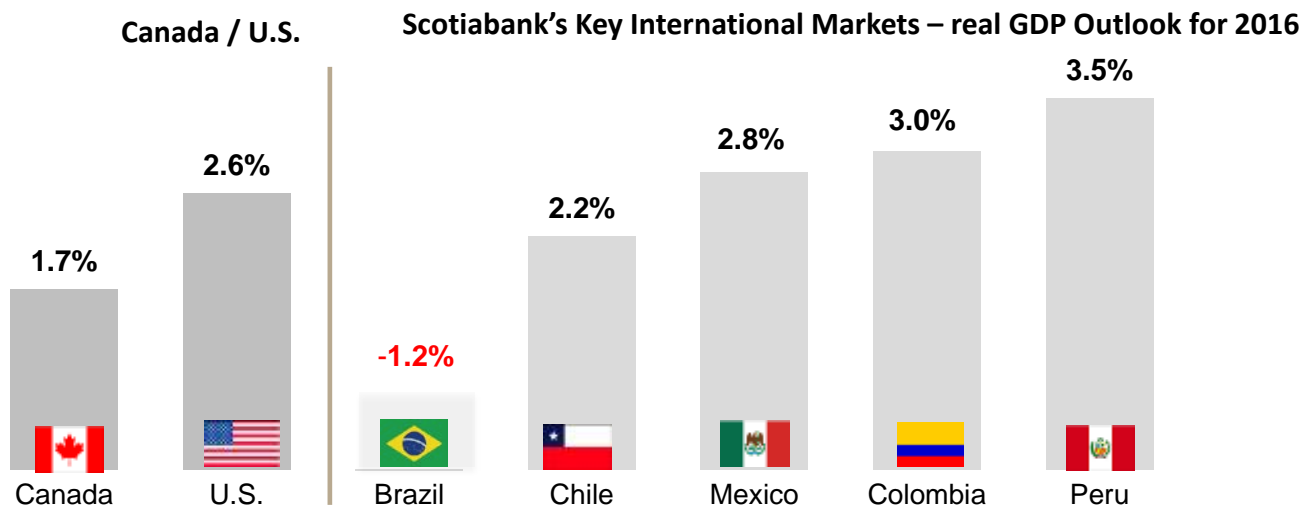
- Latin America is an increasingly important part of Scotiabank's international strategy
- Made great strides in diversifying our platform geographically in recent years
- Over 35,000 employees in Latin America
- Trading centres throughout Latin America (Brazil, Colombia, Peru, Chile and Mexico) provide expert local market-execution capabilities
- Securities license in: Mexico (Scotia Casa de Bolsa), Brazil, Colombia, Peru (Scotia Bolsa), Chile
- Established corporate and commercial operations across the Latam region
- Equity, fixed income, FX and economics research analysts based throughout Latin America
- Dedicated emerging markets group, with seasoned market professionals, providing emerging market cash bonds, foreign exchange, interest rate derivatives, credit derivatives, equities and commodities
- 24-hour execution of emerging markets cash products via trading desks in New York, London and Singapore
- Established global infrastructure platform



# LATAM Key Regional Summary

## The Economy

- Favourable macro-economic fundamentals with a combined GDP of \$4.4 trillion and low and controlled inflation of 3.6%



Source: Scotia Economics, as of September 2015

- Stable geopolitical environment with inherent emerging market risks well contained
- Banking systems are well capitalized
- High levels of trade liberalization and integrated Latin Stock Market (MILA)
- Sovereigns are investment grade
- Low interest rate environment
- Combined population of 500 million



# Doing Business in Latin America

*The challenges of doing business in Latin America are local market knowledge, language & culture and compliance issues.*



# Doing Business in Latin America

***Remember the 3 Ps***



# CONTACTS



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## Q & A



## Questions?



# LINKS OF INTEREST

EDC website: [www.edc.ca](http://www.edc.ca)

Scotiabank: [www.scotiabank.com/gls/en/#about](http://www.scotiabank.com/gls/en/#about)

World Bank - Doing Business: [www.doingbusiness.org](http://www.doingbusiness.org)

CIA World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/>

Global Post: [www.globalpost.com/taxonomy/categories/global-economy](http://www.globalpost.com/taxonomy/categories/global-economy)

IFC: [www.ifc.org/wps/wcm/connect/corp\\_ext\\_content/ifc\\_external\\_corporate\\_site/home](http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home)

# APPENDIX 1 : CANADIAN DIRECT INVESTMENT ABROAD (CDIA) IN LATAM

- › Canadian investment in various sectors:
  - › Mining (main destination of Canadian investment)
  - › Automotive in Mexico
  - › Oil and gas
  - › Infrastructure, environment, construction
  - › Power
- › Mainly large Canadian companies have investments.

Country	2014 CDIA - CAD millions
Brazil	10,318
Chile	18,331
Colombia	2,228
Mexico	13,046
Peru	10,235



## APPENDIX 2: REGIONAL TRENDS

### Mexico

- › Mexico is a large open economy that has become an important part of the global supply chain. A number of foreign companies are re-shoring their manufacturing operations from China to Mexico to better access the U.S. market and benefit from the country's growing industrial base.
- › Mexico has recently introduced major reforms with the ultimate goal of increasing competitiveness and economic growth, and the government expects these reforms, most notably on energy, to have a positive impact on trade and investment in the country.

### Brazil

- › Brazil protects its diversified industry base and can be a challenging market, but has significant growth potential.
- › Closing the infrastructure gap is a high necessity – both a challenge to doing business in Brazil and an opportunity.
- › Current challenges in market may create future opportunities for international companies.

### Chile

- › Canada has a strong footprint in Chile, being the 3rd largest investor in the country.
- › Chile has an open trade policy and its economy is highly dependent on international trade, accounting for about 65% of its GDP.
- › The Chilean market presents numerous business opportunities and a favourable investment climate.





## APPENDIX 2: REGIONAL TRENDS (CONTINUED)

### Peru

- › Business opportunities in many sectors as Peru requires significant investments in infrastructure and technology to maintain growth and improve social welfare.
- › Canada has become one of the top foreign direct investors in the country.
- › Canada is a major investor in the mining sector and many mining service companies have established offices in the country.
- › Consistent and credible macro-economic policy, political stability and an investor-friendly climate have laid the foundation for sustained economic growth in Peru.

### Colombia

- › Growing investor and exporter interest in Colombia is being driven by a favourable combination of business-friendly policies, economic and political stability, a successful government-led security strategy and a diversified economy with a large domestic market.
- › Canadian exporters and investors are well positioned to benefit from the country's growing business opportunities across all sectors.