

Latin America – An overview



Constantino Salivaras
Manager

+55 21 37 36 36 53

constantino.salivaras@ctplc.com

The shipping sector, including ports and terminals, is a high-growth, profitable business in Latin America. Trading in this area, however, still faces numerous challenges. Inefficient transport infrastructure, bureaucracy, complex and deficient legal regimes, social and political unrest, unstable economies and inflation are ongoing problems. However, a series of public and private investments in the region are under way to modernise the Latin American shipping sector in response to global business trends and to enable it to become competitive.

Brazil

Brazil is the key regional market for ports and the shipping sector. During the last decade, the country has seen a big boost for dry bulk shipping in response to strong demand from China and other trade partners.

The country's two largest ports at Santos and Salvador have experienced an unprecedented tonnage growth in recent years. Whilst, economically, Brazil is consistently growing, it still faces serious infrastructural challenges. Brazilian ports are in need of modernisation and deepening, and many terminals struggle to manage the volume of vessels calling at Brazilian ports.

There are several projects under way to upgrade port facilities to accommodate large-sized container ships. With Brazil having hosted the World Cup in 2014 and hosting the Summer Olympics in Rio in 2016, there has already been a focus on infrastructure upgrades in relation to the country's ports, railroads and roads.

The new port law, which was introduced on 28 June 2013, is a promising piece of legislation aiming to reduce congestion problems and increase the efficiency of port operations by granting the handling of the port and terminals to the most efficient port operators through a bidding process. The Ports Minister announced that up to 159 container terminals will be offered to private operators in an effort to reduce delays due to bureaucracy. For further information on the new port law, please refer to "**Brazil's new port law**" in the September 2014 issue of the Standard Bulletin.

Furthermore, an emphasis has been placed on the potential of waterways as an alternative means of transport. Brazil has 20,000km of navigable waterways. Of these, 16,000km are part of the Amazon, which crosses the north of Brazil. A description of the benefit of waterways can be found in the January 2014 Standard Bulletin Article "**Rediscovery of the South American Waterways**".

Last but not least, investments related to the global offshore sector are forecast to keep growing strongly in Latin America over the next few years, especially in Brazil.





Colombia

The outlook for Colombian ports and shipping is encouraging. Investments are key to Colombia's trade growth as they will help resolve traditional infrastructure problems. Two of the world's biggest port operators have decided to collaborate in the development of facilities at Buenaventura to develop a multi-user container terminal. In addition, Buenaventura Port Society has devised a modernisation plan, investing about \$450m in infrastructure, equipment and dredging.

In relation to the Cartagena port, Colombia and Chile announced a partnership for the development of an integrated logistics centre, including warehouses and distribution centres and yards for containers.

Chile

Chile has been one of Latin America's best-performing economies for more than two decades. Chile's largest general cargo port is San Antonio, which accounts for 16.67m tonnes of bulk cargo and 1.07m TEUs annually. Activity levels at the port of Valparaiso are expected to grow following the construction of a new container terminal capable of accommodating post-Panamax vessels.

The Chilean shipping industry will also benefit from the mergers of two of the most important Chilean shipping operators with major European shipping companies.

Argentina

Argentina is well known for the grains trade through many of its ports such as Buenos Aires, San Lorenzo, San Nicolas, Rosario and Bahia Blanca.

The brown water trade is also developing and the use of the Parana-Paraguay Waterway connecting Argentina, Uruguay, Paraguay and Brazil is growing with the presence of various tug and barge operators trading

in convoys. For further information, please refer to the January 2014 Standard Bulletin Article "*Rediscovery of the South American Waterways*".

Peru

The Peruvian government awarded a \$182m port construction and operation contract near Pisco to a Brazilian-Spanish Consortium. The aims are to speed up mineral shipments from the Andean country's southern mines, and to develop and improve connectivity with Brazil.

The expansion of the Panama Canal

The Panama canal plays a pivotal role for Latin American and global shipping. Around 5%-6% of the world's trade is shipped through the canal. The current project to widen the canal is of strategic importance to Latin American shipping. The \$5.25bn expansion project aims to construct a new canal able to accommodate Post-Panamax ships with a carrying capacity of between 5,000 and 12,600 TEUs. Post-Panamax ships carry 45% of the world's box cargo trade.

The Nicaragua Canal

There are also plans for a new canal running through Nicaragua under a \$40bn project put forward by a Chinese company. The project envisages the construction of deep-water ports, an airport, an oil pipeline and a railroad. However, there is still scepticism among shipping analysts as to its economic viability and whether there is a need for an additional canal in Central America.

Conclusion

One of Latin America's main problems is its lack of infrastructure and, historically, the lack of solid policies to overcome such deficiencies. However, it seems that now not only local governments but also the rest of the world have their eyes on the region with a legitimate interest in its development and integration both at a regional and worldwide level.