

# Peruvian pipeline still pumping

Investment in Peruvian mining projects may have slowed in recent years due to the global economic downturn, but the country still boasts the most attractive investment pipeline in Latin America.

Almost \$US7.5 billion was invested in Peruvian mining projects last year, down from the \$US8.9 billion injected in 2014 and the peak \$US9.9 billion in 2013. However, 51 advanced projects across 16 regions could potentially pour up to \$US56.3 billion into the country's economy over the coming years.

These include the Magistral copper project (\$US480 million), the San Gabriel gold project (\$US520 million) and the Toromocho copper expansion project (\$US1.35 billion) – all of which currently have environmental studies under review by Peruvian authorities.

Peru is ranked either first or second in Latin America for production of most pre-



Jose Blanco

cious and base metals and also resides in the world's top five for output of silver, copper and zinc, among others.

"There may have been a slowdown within the investment into the construction phase, but the production phase continues to expand," Blanco Partners Pty Ltd senior partner Jose Blanco said.

"The bringing online of Las Bambas and a couple of these other major projects has significantly boosted the total production of copper in Peru."

Blanco, also chairman of the Australia Latin America Business Council (ALABC), said the presence of major Chinese groups such as Chinalco and Minmetals was another encouraging message for both near-term and longer-term mining investment in Peru.

"Clearly the Chinese have an enormous appetite for minerals and they are likely to continue to support Peru," Blanco said.

"You don't see this level of Chinese investment in any of the other countries in Latin America."

According to a recent survey by PwC, obtaining a social licence to operate due to frustrating standoffs with local community groups remains the biggest obstacle for resources companies to overcome in Peru.

Newmont Mining Corp abandoned plans to develop the \$US5 billion Conga copper-gold project in April, conceding defeat after years of relentless community opposition to construction of a mine in the region.

"Social engagement is paramount," Blanco said. "The social licence to operate is as important as the operating licence and the moment you have to start the strategy, whether it be in Peru or almost any other jurisdiction, is from the moment you start exploration."

"The sooner you engage with the local community, the better prospects you have for navigating through all of the process of going into production with the least number of issues."

– Michael Washbourne

## Growth spurt in the middle class

Latin America's growing middle class is driving economic growth in the region and there are no signs of any slow down.

Council on Australia Latin America Relations (COALAR) chairman Chris Gale said the middle class in Latin America grew by 50% in the past decade and now 30% of the 700 million people in the region are considered to be in the middle class.

"They like their cars, they like their food and they like their apartments, there is no doubt the middle class is growing," Gale said.

"By 2050, in 35 years time, two of the top six global economies will be situated in Latin America; Brazil and Mexico. So perhaps, we can help them grow their economy and perhaps help our economy grow with Latin America."

A point of entry for Australians into Latin America has been through the mining and exploration sectors and COALAR hopes collaboration in other areas such as education, business (including mining), tourism, cultural promotion and

sustainability will spawn prosperous relations.

On the resources side, Australia has really upped its level of engagement in Latin America with almost 100 Australian companies in the region compared to 20 in 2008.

Gale said this was proof that miners and explorers were cognisant of the opportunities in Latin America and hoped Australia's participation in the region would increase in the future, particularly with an estimated \$US269 billion estimated to be sunk in the Latin American mining and exploration sector in the next five years.

"We are the greatest explorers in the world, no question. We will go anywhere on this planet as long as we can make a dollar out of that," Gale said.

"What does that mean for us [\$US269 billion spent]? It means METS; not only



Chris Gale

exploration companies, but mining services and I know there are lots of mining services being developed by Austrade into Latin America and we have to continue to do that.

"We are the best at what we do; engineering, technicians, we are the best second to none throughout the world. We can assist and help drive their growth with

best of class engineering."

While encouraging Australian companies to capture any prevailing opportunities in Latin America, Gale said it was prudent to remember that it has to be done in the right way.

"You have to respect the local environment and community, there is nothing more important than spending some time talking to the locals in their local community, in their local town and describing what you intend doing," he said.

– Mark Andrews