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Press release

In the lead-up to the Global Business Forum on Latin America 2016

Dubai Chamber Study Highlights Investment Opportunities for GCC Countries in Latin America

H.E. Hamad Buamim: Our main objective from organising this forum is to promote the UAE market and attract foreign investments

Dubai, November 8, 2016 – The Dubai Chamber of Commerce and Industry (DCCI) conducted a study to explore investment opportunities for GCC countries in Latin America and create a roadmap for bilateral relations between the two regions.

The study comes in the lead-up to the Global Business Forum (GBF) on Latin America, which the Chamber is preparing to host on November 9 and 10 at Atlantis, The Palm, Dubai. The research identified the most promising sectors for cooperation between the two regions. These included agricultural and food products, aviation services, logistics, industry, banking and finance, trade, and investment.

His Excellency Hamad Buamim, President and CEO of Dubai Chamber, said: “This study identifies opportunities within key strategic sectors, as well as the prominent economic traits for the countries of the Gulf Cooperation Council and their Latin American counterparts.”

H.E. added: “This year’s Forum welcomes high-profile decision makers, entrepreneurs, and creatives, which presents an ideal setting for exchanging ideas and insights and creating new avenues for cooperation between the two regions. Our main objective from organising this forum is to promote the UAE market and attract foreign investments. We are also looking to bolster trade ties between GCC countries and Latin America, and to find new ways to develop business and find solutions for the challenges inhibiting the economies of both our regions."

The study underlines the importance of developing the aviation sector to include direct flights to and from Latin America, seeing as the Gulf occupies a central geographical position, which enables it to be a hub connecting Latin America to major destinations such as China and Japan, all while shortening the duration and the journey, the number of stops, and the cost. With that in mind, Emirates Airline – Dubai's national carrier – launched direct flights to Panama in February 2016. What is more, the airline has recently signed an agreement to exchange codes with Brazilian Airlines GOL, which allows travellers to book flights with both airlines using one booking and increases connectivity between Brazil and the GCC. The agreement is expected to be expanded to include the rest of Latin America and the Caribbean.

On the same note, the study goes on to note the positive effect that the mutual diplomatic visits have had on the bilateral relations between the countries in the GCC and Latin America. The report specifically highlights the 2014 visit of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, to Mexico, Brazil, Argentina, and Chile, and the benefits it had on the bilateral relations between the UAE and these countries.

As for the Trans-Atlantic shipping, ports, and logistics sectors, DP World stands out as the largest GCC investor in Latin America, injecting as much as $4 billion in investments all across the region. In June 2016, DP World won the exclusive rights to develop and run a deep-water port in Posorja, Ecuador, for 50 years – Posorja lies in close proximity of Guayaquil, the country's commercial capital.

What is more, DP World provides a number of small Dubai-based logistics companies with aerial support and shipping in several parts of Latin America, either directly or through partnerships that facilitate the movement of goods and people and, subsequently, multiply commercial opportunities.

As far as the agricultural and food product sector is concerned, the study reveals that GCC countries depend heavily on the import of such materials, whereby imported food products make up 80 per cent of local food consumption. GCC countries, in fact, all ranked within the 22 to 30 most vulnerable countries in the International Monetary Fund's (IMF) Global Food Security Index 2016.

GCC countries depend heavily on the countries of Latin America to import key food products, such as dairy products; grains; natural honey; products made from fruits, vegetables, and nuts; coffee and tea, among other products. This encourages both regions to strengthen their bonds through investments in arable land and food-manufacturing facilities.

Elsewhere, GCC investments in the industrial sector in Latin America are growing, as the International Petroleum Investment Company (IPIC) – part of the Abu Dhabi Investment Authority (ADIA) – collaborates with a number of petrochemical plants in Latin America. In fact, in 2009, Dubai's state-owned aluminium firm Dubal bought 19 per cent of Companhia de Alumina do Para, a subsidiary of Brazilian mining firm Vale. Meanwhile, opportunities abound for Latin American countries to establish production facilities in the GCC; this makes it easier to process products closer to their destinations in Europe and Asia.

The study goes on to reveal that the banking and finance sector witnessed mild growth on the back of the investment partnership forged by the Abu Dhabi Investment Authority with BTG Pactual, Brazil's largest investment firm for 2010. Additionally, Brazilian banks Banco do Brasil and Itaú have a presence in Dubai, seeing how it is important for banks to have branches or representative offices close to their customers.

Furthermore, the study shows a diversity in the strategies and commercial laws within Latin America; while the Pacific Alliance countries (Peru, Colombia, Chile, and Mexico) prefer free trade and actively seek to open their markets, Mercosur countries opted instead for a protectionist approach. GCC countries, on the other hand, are characterised by open markets and investor-friendly policies. To note, there are as many as 200 commercial treaties – including an agreement to prevent double taxation – between the GCC and Latin America; these treaties seek to facilitate the flow of capital and investments between the two regions.

The report reveals that commercial activity between the two regions has seen notable growth in recent years, buoyed by Latin America's demand for energy, on the one hand, and the GCC's demand for food products, on the other. Nonetheless, the GCC-Latin America trade ties are not confined to these commodities, they also include metal, vehicles, and machinery.

Brazil stands out as the GCC's top trade partner in Latin America; the South American country accounted for as much as 77 per cent of the GCC's imports from Latin America in 2015, the study reveals, which amounted to $11 billion. Meanwhile, Brazil received 65 per cent of the region exports to Latin America, which amounted to $5.6 billion. What is more, GCC countries rely almost exclusively on Brazil to import metals, while products ranging from machinery to wood products come from elsewhere in the Latin American region.

Argentina and Mexico are the GCC's top trade partners after Brazil; Argentina provides Gulf countries with grains, iron, and steel, while Mexico provides vehicles and electrical devices. On the flip side, oil, liquefied natural gas, and fertilisers make up the bulk of GCC exports to Latin America.

As oil prices continue on their downward trajectory when compared with previous years, GCC investors look to diversify and balance their portfolios by exploring new markets in Latin America, and attracting more foreign investments into the GCC region.

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