Bringing Latin America to the World – and the World to Latin America

By **Tom Connor**

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When Scotiabank acquired a minority interest in the Mexican bank Inverlat in the early 1990s, it entered a region that was rich in resources and opportunities but significantly under-banked. Then, as now, large components of many Latin American economies were informal and in need of the same kind of broad banking coverage, products, services and financial advice as North American economies.

In the intervening decades, Scotiabank's international franchise has expanded well beyond Latin America and the Caribbean, where it first planted its flag in the 1880s. In addition to Canada and the U.S., the bank has a growing operation in Australia and an established presence in Europe and Asia.

But Latin America, and in particular the Pacific Alliance countries of Mexico, Chile, Peru and Colombia, remain the bank's primary focus, alongside Canada. Together, the Pacific Alliance represents the world's sixth-largest economy, and they account for over 60 percent of earnings from Scotiabank's international operations. And there is room for growth: the Pacific Alliance economies are projected to have GDP growth in the range of 3 percent from 2017-2020, compared to 1.6 percent on average for G7 nations.

"The trading bloc's solid economic fundamentals and strong growth prospects make it an excellent place to invest, and run a business. We remain confident about economic prospects in the near term, and especially over the longer term," says James Neate, Executive Vice President of International Corporate and Commercial Banking at Scotiabank, who is responsible for wholesale banking activities in Latin America, Central America and the Caribbean.

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James Neate, Executive Vice President and Head of International and Commercial Banking, Scotiabank

A Second Home Market

Scotiabank's appeal to the Pacific Alliance countries is easy to understand. In a region historically prone to slow development and political instability, the Canadian bank – a stable financial institution of international repute with a half-century's presence in Latin America – has demonstrated an appreciation of the region's culture and resources.

Almost half of Scotiabank's 88,000 employees speak Spanish as a first language, with some 35,000 of them living and working in Latin and Central America. This thriving workforce, complete with its inherent knowledge of local markets and cultures, provides Scotiabank an organization-wide advantage over not just local and regional financial institutions, but international competitors.

Another source of Scotiabank's strength lies in its knowledge of wholesale banking areas – principally mining, oil and gas, forestry, infrastructure, power and utilities. "Most of these countries are resource-based economies similar to what we have in Canada, so there's a general level of understanding and familiarity in terms of the main drivers of those economies." Neate continues, "We've built deep expertise within our franchise, and we are able to transport it to Latin America to provide financial support to our clients there. It's not a difficult sell for us to help mining and energy clients in the Pacific Alliance, based on our strong reputation in Canada and our proven expertise in these sectors."

Local Expertise Meets Global Reach

Because they have endured an infrastructure deficit in the past, the countries of the Pacific Alliance have to come to recognize roads, ports, airports, transmission lines and pipelines as core strategic assets to foster growth. This has made expertise and advice on said infrastructure investments increasingly important.

In Colombia, for example, a massive program to modernize the country's road system is underway. In Mexico, new thermal generation plants are being developed to take advantage of the opening up of the market. Efficient distribution of power continues to be a priority for many of the countries, and Chile is modernizing its transmission network. Peru has initiated modernization of its airports, following such efforts by Mexico and Colombia.

The need for private capital investment in these and other projects is greater today than ever, given various historical budgetary constraints in Latin America. In addition, there's a growing need for long-term debt funding and bond funding to support infrastructural transactions, which has enabled Scotiabank to assume a larger role in the region. Although such development projects carry risks, most of the Pacific Alliance countries have improved their credit ratings over the past few years, making these ventures more attractive to international investors.

Scotiabank's reputation of expertise, global reach and access to capital precedes it in these markets. This is not merely because of what the institution can offer inbound clients interested in the Pacific Alliance, but also because of how Scotiabank helps LatAm businesses to grow within the region or across the globe. In fact, it can be argued that the bank's real strength in Latin America derives from its ability to offer clients connectivity and access to global markets. "I can't stress that enough," Neate affirms. "Providing global coverage and expertise with a local presence and know-how is the real power of our franchise."

With a footprint that spans North America, Europe, Asia, Australia, the Caribbean, Latin America and Central America, Scotiabank clients in Korea with offices in Colombia, for example, can still receive depth of coverage and expertise, despite not only the distance between them but between them and Canada. Simply put, institutional knowledge garnered in Asia and Latin America gives the bank an overarching perspective that informs its seamless delivery of services and products.

What sounds complicated – different cultures, languages, currencies, time zones, multiple jurisdictions – isn't so daunting when this local-to-global mindset is spread through an organization. "If you are client-focused, have great communication and share an objective – which is to provide the best client service we possibly can to our respective partners – it comes a little easier than some might think," Neate explains.

A Focus on Long-Term Client Relationships

Service to this degree has deepened Scotiabank's long-term relationships with Latin American companies, and that enables the bank's professionals to understand their clients in a deep and intuitive way, and to bring them customized, innovative ideas.

Meanwhile, as the Pacific Alliance moves away from purely resource-related sectors and builds out more robust infrastructure to get products to market more efficiently, sectors like technology and communications are rapidly expanding, attracting both clients and investors.

Investment Banking and Mergers and Acquisitions have also begun attracting more attention from companies in the Pacific Alliance. With its comprehensive investment banking and advisory platform, Scotiabank is providing clients with an additional level of value beyond capital and basic services, and it is increasingly forging deep, strategic relationships with Latin American companies. In 2012, it demonstrated confidence by continuing its expansion in Latin America with a 51 percent acquisition of Banco Colpatria in Colombia – at a time when other big banks were downsizing or simply pulling out of the region.

The differentiator is Scotiabank's singular capacity to provide global solutions that Latin American businesses simply can't get from local and regional banks, and local solutions that global financial institutions without the same expertise on the ground can't offer.

"We bring the world to Latin America and Latin America to the world," says Neate. "It's a simple concept, but it's one we're rallying around because these are incredibly dynamic markets that offer great future growth for all of our clients. And we want to be there, side by side, in helping them achieve their goals."

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