

US AND LATAM INVESTMENT TIES - HUNTON & WILLIAMS

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As LatAm businesses grow and diversify into other markets, investments from across the region are increasing into the US

While investment in infrastructure, transportation and tourism in Latin America is intensifying, there is now a two-way flow in M&A, as companies from south of the border enter the US market, according to Fernando C. Alonso, a Partner at Hunton & Williams in Miami. Furthermore, there is increased interest among Spanish companies to enter the emerging and rapid-growth economies of the Americas.

The extent of Latin American cross-border investment is a relatively recent phenomenon that would have been difficult to predict a decade ago. "It's a sign that Latin American companies are now global players, and law firms in the US that have developed Latin American practices are well-placed to play a key role as advisers in transactions," Alonso says. "And for those law firms advising on such deals, there's no better place to be and operate from than Miami."

Often referred to as 'the capital of Latin America' due to its strategic geographical location, the city is a key transportation hub for the region. With a talent pool for professionals from across the continent, Miami is now an established service centre for law firms and other professional firms,

acting as a hub for companies seeking entry into Latin America, as well as for those from Latin America seeking to establish enterprises in the US.

And the expertise that is currently giving lawyers the edge in the region goes beyond just knowing the language, Alonso adds. "Companies engaged in large cross-border transactions, whether from the US, Europe or Latin America, seek legal security in contracts governed by US law and subject to dispute resolution either in judicial systems with strong respect for contracts or in arbitration forums with a deep base of sophisticated professionals. Florida offers both."



Spanish investors

As well as advising Latin American companies engaging in cross-border investments and acquisitions in the US, Alonso and his team also assist Spanish companies that have turned their attention to the Americas. "The crisis in Spain has had adverse consequences on investment activity generally", he says. "It also has encouraged investment westward, towards the US and Latin America and, now that confidence is returning, I think we'll see a resurgence of Spanish investment in this hemisphere."

"Spanish companies often operate within a European framework, and enter into transactions in Latin America relying on the common language," he explains, "but the region is also varied and cultural and business practices often present challenges. While there may be more linguistic challenges when investing in the US, investments by Spanish companies in the US have generally proceeded quite well."

Target regions

Argentina's expropriation of its energy resources and its move against Repsol have made investors very wary of it as a potential target market – something that also occurred in Venezuela with (former president) Hugo Chávez, he explains. However, Colombia has now had sustained calm after decades of conflict and that market is now a very attractive one for investors. A positive business climate and opportunities for foreign investment are also found in Peru, Chile, Mexico, Panama, Costa Rica and Brazil.

Investment in infrastructure projects in Brazil in particular has surged over the last couple of years, especially with the upcoming 2014 FIFA World Cup and 2016 Olympic Games. And Mexico's Government recently announced a large infrastructure construction drive, with expenditure of US\$300bn over the next five years to develop the country's highway, railway and telecommunications network, along with upgrades to port facilities in order to facilitate local companies' export capabilities.

Alonso highlights Mexico's lessened vulnerability to the negative effects of the economic crisis in the U.S. as it becomes less dependent on that economy for exports, especially since it has recently signed further free trade agreements with other countries.

Hunton & Williams is actively engaged with clients across Latin America on anything from M&A and joint ventures, to project and other financings, infrastructure development and capital markets. Alonso is keen to point out that, "there are rich business opportunities within a region which is also characterized by numerous differences, due to varying social and economic conditions, cultural attributes and receptiveness toward foreign investment." For law firms looking to advise in Latin America, he says, "having expertise and appreciation of local customs and business practices can make all the difference."