

BUS 625

Spring 2019

Latin American Business Environment International Trip to Peru

The Impact of Foreign Capital Investment on Emerging Markets

Begins Wednesday March 6th in the late afternoon in Lima, Peru

Ends Friday March 15th in the morning in Cusco, Peru

Introduction:

Three of the countries you heard about at the information session have one thing in common. Brazil, Russia and China are all characterized as emerging markets. They have some combination of natural resources, empty land and cheap labor that generates the “emerging label” and they tend to have much more income inequality than we do. Peru is no different.

These countries are all starved for foreign investment capital to help educate their citizens so they can be successful at jobs that earn a decent wage, to help preserve their natural resources and environmentally sensitive land and to help build up their corporate sector to make it more efficient.

The wealthy folks in those countries invest a lot of their assets in other countries because they want diversification and the political and currency stability and strong legal systems they find in countries like the U.S.-plus the wealthy Latin Americans really like Miami!

U. S. investors, on the other hand, are searching for the higher returns that come from investing in emerging markets but scared of the risks that brings.

With this background, our trip to Peru will focus on a pre-trip assessment of the political, geographic, cultural and business assessment of Peru and a post-trip proposal for an investment idea that is expected to generate returns that justify the risks.

Before the trip each person will be asked to assume they work for a large U.S. based life insurance company or pension fund and assigned a specific part of the crucial information about Peru. Each person will be asked to write a 3 to 5 page report on that subject. These will be collected into a briefing book, the sort of background information that would be given to a chief investment officer to read on the plane down to Peru.

During the trip we will visit firms important to the Peruvian economy (natural resources, agriculture, manufacturing, innovation, retailing, banking, real estate development and entertainment in Lima and eco-tourism and hospitality in Arequipa), the Peruvian American Chamber of Commerce, the major private university and government officials in charge of housing and transportation. You will have the chance to get their thoughts on what the country most needs to enhance its development prospects and any current problems that need outside capital to correct.

We will also have some fun, touring Lima, driving to Colca Canyon to see the rare Andean condors, visiting the colonial capital (Arequipa), the gateway to Machu Picchu (Cusco) and Machu Picchu itself. These stops will give you a good sense of cultural differences between Peruvians and Americans and give you a chance to sample the local cuisine, which everyone I know says is amazing!

After the trip each person will prepare a 3 to 5 page write up of their proposed investment opportunity, explaining the unmet need this capital will fill and any risks associated with the project. You will present this to the rest of the group and to some faculty and guests who are very familiar with the Peruvian market. An example of one such idea that came from the trip to Colombia last year had to do with the need for personal guarantees on contracts to rent student housing. Students who did not have family wealth high enough to cover the guarantees had to live at home in the

poorer suburbs and drive for hours to get to class. One student in the class proposed a project similar to “Go Fund Me” where investors could invest in these guarantees and spread the credit risk across many wealthy people.

The cost of the trip is \$XXXX per person, double occupancy. This DOES NOT include airfare from the U.S. to Lima or back to the U.S. from Lima or airfare from Cusco to Lima.

We timed the trip to begin in the middle of the first break week so that students could go home or go to Latin America in general, or to Lima, early if they wanted to do some sightseeing on their own. We also ended the trip on Friday morning in Cusco so that students could go back for another day in Machu Picchu if they wanted to spend more than one day there, or could visit other sites in the Sacred Valley, or could make the challenging trek to the top of Huayna Picchu, which is a mountain that is higher than Machu Picchu and has a great view down into Machu Picchu, or could return to Lima for another day or two there before coming home. Airfare from Cusco to Lima is about \$45 for mid-March as of now.

The grading for the course is:

Attendance at and **participation** in three pre-trip meetings: 15%

Attendance at and **participation** in all non-optional trip activities: 40%

Pre-Trip report: 20%

Post-trip investment recommendation: 25%

There are a limited number of spots on this trip and I am sure they will be snapped up. If you have questions about any aspect of the trip don't hesitate to stop by the office or email me at aheuson@miami.edu or call me at 305-284-1866. Your student experience guru, Alex Mas, was on the trip to Colombia. I thought it turned out very well and you can ask him what it was like to travel with a small group and me to Latin America and also about the quality of the learning experience.

Hope to see you in March if not before. **Andrea** 😊



P.S. GO CANES!

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