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FEATURED Q&A

Why Have Mining Projects Become So Controversial?



Australian miner BHP Billiton said last year it is studying a \$2.2 billion option to expand its Spence operation in Chile and extend its life by about 50 years. // File Photo: BHP Billiton.

Q Colombia's mining minister said March 28 that a planned gold mining project in the town of Cajamarca could proceed, despite an overwhelming vote by the town's residents to prohibit the project on environmental concerns. His statement came just days before El Salvador's Legislative Assembly voted to ban all mining for metals, including gold, also for environmental reasons. What is the state of gold mining projects and investment in Latin America this year and in the years ahead? Do mining companies need to do more to address the environmental concerns of local residents and, if so, what more should they do? How well are governments balancing the need for economic development aided by mining projects with the need to protect the environment?

A Michael Harvey, director of Corporate Affairs and Security for Latin America at Goldcorp in Mexico City: "I come from Canada, where mining has played a tremendous role in creating the standard of living we enjoy today. The history of Northern Ontario and Quebec demonstrates that local residents are often the biggest beneficiaries of a mine, due to significant local employment that is created both directly and indirectly, as well as supplier contracts and tax revenues. Modern gold mining obviously has an environmental impact, as is the case with any human activity. Responsible mining ensures that this impact is minimized and that the economic and social benefits outweigh any environmental impact caused. In Colombia, legitimate mining will greatly lower environmental impact compared to the illegal mining that takes place in a no man's land of a total absence of

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TODAY'S NEWS

POLITICAL

Trump Officials Disagree on Border Wall

U.S. Homeland Security Secretary John Kelly told members of Congress Wednesday that he doesn't plan to build a wall stretching the entire length of the U.S. border with Mexico.

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ECONOMIC

Brazil's Temer Lacks Support for Pension Bill

Brazilian President Michel Temer's own allies will not back a landmark pension reform bill he has proposed and the measure would not pass the lower house of Congress as it stands, a new survey says.

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POLITICAL

Argentine Unions Launch Strike Against Macri

Argentina's largest unions today launched their first general strike against the economic policies of President Mauricio Macri. Transportation around major cities is expected to be difficult.

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Macri // File Photo: Télam.

POLITICAL NEWS

DHS Secretary Does Not Support Full Wall on Mexico Border

U.S. Homeland Security Secretary John Kelly told members of Congress Wednesday that he doesn't plan to build a wall stretching the entire length of the U.S. border with Mexico, *The New York Times* reported. Kelly, who had been scheduled this week to meet in Washington with Mexican Foreign Minister Luis Videgaray, said he would instead focus on building additional fencing where it was most feasible. Specifically, he cited a 75-mile swath of borderlands in Arizona, part of the Tohono O'odham Nation Indian reservation, as an example of where additional fencing would be unlikely. "Not going to build a wall where it doesn't make sense," he told lawmakers. Kelly's remarks run contrary to one of President Donald Trump's key campaign promises, to build "a great wall" along the entire 2,000-mile border with Mexico. Kelly also told Congress that the Trump administration deserved credit for a drop in illegal border crossings. The number of people arrested crossing the Mexico border into the United States has fallen to the lowest level in 17 years, with fewer than 17,000 arrests

of undocumented migrants in March, the least since 2000, according to U.S. Customs and Border Protection data.

ECONOMIC NEWS

Argentine Unions Launch First General Strike Against Macri

Argentina's largest unions today launched their first general strike against the economic policies of President Mauricio Macri, *La Nación* reported. The 24-hour labor action is expected to bring transportation networks in major cities to a grinding halt, although the government has said it plans to take steps to ensure mobility continues. The General Confederation of Labor, CGT, the country's largest union federation, has been negotiating steadily with the right-of-center Macri administration since it won the 2015 election. However, disagreement over layoffs and wage increases amid persistently high inflation have stymied talks. "There are many reasons why this strike has been called and hopefully it will cause the government to reconsider and really listen to the most needy sectors," Carlos Acuña Peña, a CGT leader, said on local television, *Telesur* reported. Securi-

NEWS BRIEFS

Colombian Officials to Probe Mocoa Mudslide

Colombian officials on Wednesday announced they will launch an investigation to determine whether authorities could have prevented more than 300 deaths that resulted from flooding and mudslides in the Putumayo town of Mocoa last Friday, *Semana* reported. Searchers are still looking for more than 300 other victims who are still missing in the disaster.

Venezuelan Legislature Seeks Removal of Justices

Venezuela's opposition-controlled National Assembly on Wednesday began the process of removing pro-government justices on the constitutional branch of the Supreme Court, the *Miami Herald* reported. Lawmakers gathered before dawn to avoid a National Guard blockade, which had prevented them from entering the building the day before. Legislators also approved declarations demanding the release of all political prisoners and urging Venezuelan armed forces to "listen to the people's demands for democracy." Both pro- and anti-government street rallies are expected in Caracas today.

Chinese Auto Maker Considers Mexico Sites for New Factory

A Chinese automaker is considering building a \$500 million auto plant in two Mexican states, *Reuters* reported Wednesday, citing company officials who wished to remain anonymous. Great Wall Motor Co., which produces sport utility vehicles and light trucks, is interested in building a plant in Nuevo León in northern Mexico or the central state of San Luis Potosí. In February, China's JAC Motors and distributor Chori Company unveiled plans with a firm part-owned by Mexican businessman Carlos Slim to invest more than \$200 million in a car plant in the central state of Hidalgo, *Reuters* reported.

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environmental norms and regulations. Gold mining companies need to keep pushing fact-based arguments of the benefits of mining for local communities. Governments and academia also need to counter the often-false arguments that are thrown around by those who have a political or financial interest in projects getting stuck. At the end of the day, if communities are truly opposed to a project, then capital will move to more favorable jurisdictions, taking jobs and development away from places that badly need the opportunity to get ahead. Sadly, this can also happen when communities are misinformed by people with their own agenda."

A Keith Slack, global program manager of extractive industries at Oxfam America: "The backlash against mining in countries like El Salvador and Colombia is driven by concern about the impacts of mining on land and water and by the lack of perceived benefits from mining at the local level. Despite this, because of its attractive geology, Latin America will continue to be a leading region for mining investment. Companies should do more to address local concerns by allowing independent monitoring of their operations, fully disclosing environmental impact data and only mining with the

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ty Secretary Patricia Bullrich told reporters Wednesday that police forces will try to prevent street blockades and denounced union pressure to keep people from getting to their places of employment, Télam reported. "I would love the CGT to play a fair game and say 'let's see how many people want to go to work and how many do not' ... allowing society to choose in freedom," she said. Macri complained during a speech Wednesday that the strike "does not help workers at all," accusing unions of "mafia-like behavior," Agence France-Presse reported.

Brazil's Temer Lacks Ruling Party Support for Pension Bill

Brazilian President Michel Temer's own allies will not back a landmark pension reform bill he has proposed and the measure would not pass the lower house of Congress at it stands, according to an Estadão survey of lawmakers published by newspaper O Estado de S.Paulo on Wednesday. The survey shows that more than 60 percent of the 251 deputies who said they were opposed to the pension reform proposal are affiliated with Temer's allied parties in the Chamber of Deputies. Opposition parties make up about 40 percent of opposing votes. The reform, submitted last year to Congress, sets a minimum age of retirement for both women and men of 65 years and demands more years on the job for workers to gain full pension benefits, Reuters reported. The pension reforms are considered key for Brazil to plug a widening budget gap, and the legislation's demise could interfere with the central bank's recent efforts to lower interest rates to spur economic activity, Wall Street analysts suggest. "These historically low rates for Brazil could become the new normal, if the reform agenda continues to be pushed aggressively, especially the pension reform currently being discussed, but plenty of uncertainty remains," JP Morgan said in a research note Wednesday. A special lower house committee is expected to vote on the proposal this month before it heads to the floor.

THE DIALOGUE CONTINUES

What Is the White House's Plan for NAFTA?

Q A draft proposal circulated in late March by the U.S. trade representative's office to some members of Congress suggested that the Trump administration is considering mainly modest changes to the North American Free Trade Agreement, or NAFTA. The White House quickly backed away from the draft, however, saying it was not a statement of administration policy. What parts of NAFTA are most likely to undergo changes? How likely is it that the United States, Mexico and Canada would all benefit from a renegotiation, rather than some countries emerging as winners and others as losers? Which industries in the three countries are likely to benefit from a renegotiation, and which may suffer?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "The White House's swift retreat from the U.S. trade representative's proposal for a gentle NAFTA renegotiation is one more demonstration of the impossibility of pinning the Trump administration down or predicting where it is headed. Trump could approach a NAFTA negotiation pragmatically, taking into account Mexico's importance to the United States as a partner on trade (\$600 billion annually) and many other critical issues. But that is hardly the U.S. president's style. Mexico-U.S. trade talks are not likely to be shaped by practical questions, but mostly by the heated political dynamics of the two countries and the increasingly perilous state of their bilateral relations. Today, across Mexico, the Trump administration is viewed as an outright adversary that cannot be trusted and must be resisted. Making matters worse, a sizeable number of Americans, though thankfully short of a majority, consider Mexico to be the primary source of some of the United

States' most difficult problems. Despite pressures from Mexican society to resist U.S. overtures, the Mexican government, aware of the steep cost of an open rift with the United States, has offered to initiate a wide-ranging dialogue with Washington. It is discouraging that the Trump administration has so far shown little interest in talking with Mexican authorities about anything but NAFTA, leaving aside myriad other issues at stake, like the border wall, immigration policy and security challenges. A serious dialogue with Mexico would require Trump

“It would also help if the Trump administration dropped its threats to scrap the treaty...”

— Peter Hakim

to take several bold, politically risky steps. He would have to moderate his aggressive stance toward Mexico, thus abandoning a key element in his strategy for winning the White House and holding on to his support. Negotiations on NAFTA, for example, are far more likely to succeed if they are aimed at benefitting both nations, rather than viewing them as an adversarial zero-sum proposition. It would also help if the Trump administration dropped its threats to scrap the treaty if the revisions do not satisfy U.S. demands. But again that is hardly Trump's style, so both countries are likely to end up paying a high price, with Mexico bearing the brunt."

EDITOR'S NOTE: The above is a continuation of the Q&A in Wednesday's edition of the Advisor.

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consent of potentially affected communities. Where communities accept mining, companies should disclose all revenue and tax payments they make to governments and the contracts on which those payments are based. This can help communities track where the revenues are going and ensure that they are invested in local development. Companies should also carry out gender impact assessments of their projects to ensure that the potential impacts on women's rights in affected communities are identified and addressed. Government oversight of corporate environmental management and tax practices should be strengthened. This includes banning the use by mining companies of natural bodies of water, such as lakes and rivers, as mine-waste dumps, as well as not permitting mines that will generate permanent water pollution. It also means tightening controls on tax avoidance practices such as transfer mispricing. Governments should also strengthen land-use planning efforts, in consultation with local communities and civil society, to establish areas where mining is or is not appropriate. This can help reduce mining-related social conflict by avoiding the promotion of mining in environmentally and socially sensitive areas."

A **Juan Martin Allende, partner and head of the Natural Resources Area at Allende & Brea:** "The Argentine mining sector, for one, is showing positive signs toward a reactivation, and there are investment expectations for the coming years. According to the Argentine Chamber of Mining Companies, it is expected that Argentina will receive investments of \$20 billion over the next five years in the mining sector. The contributions will generate a commercial surplus of \$25 billion and create 40,000 additional jobs and 8,000 small- and medium-sized enterprises related to the mining sector. This is a key sector for economic growth in Argentina, since it represents the fifth-largest national

export sector, and its growth will favor local communities and related stakeholders. To deal with environmental concerns related to gold mining companies, it is necessary to address this from a three-dimensional perspective, considering jointly the performances of the companies, the governments and the local communities. Although most mining companies operating in Argentina are international enterprises that comply with international standards, each one of these three actors needs to do more. The problem arises when environmental concerns or events are manipulated to serve political interests and are not seriously evaluated from a technical viewpoint. The lack of neutral control mechanisms, information and education are factors that enable this to happen. Therefore, mining countries should adopt a triangular balance between these three actors to make the environmental concerns as objective as possible while maintaining a strong gold mining sector that would benefit the economic growth of the region and protect the environment and local communities. Argentina needs the mining sector to encourage its economic growth, and the country is actively working toward having sustainable mining. Evidence of this is the New Federal Mining Agreement under negotiation between the federal government and the provinces. This agreement seeks more interaction among the provinces, local communities and mining companies. In relation to environmental issues, among other matters, it requires mining companies to create funds for conservation and restoration of the environment, encourages more coordination between federal government and the provinces, creates consulting boards and systematizes and standardizes information related to mining activities."

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Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Nicole Wasson

Reporter, Assistant Editor
nwasson@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

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