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## FEATURED Q&A

# Will Colombia's Peace Deal Boost the Oil Sector?



FARC rebels began handing weapons over to the United Nations last month. A FARC contingent is pictured in February in La Guajira department. // File Photo: United Nations.

**Q** The Revolutionary Armed Forces of Colombia, or FARC, rebels began surrendering their weapons last month to the United Nations, three months after they signed a renegotiated peace agreement with the country's government. In the past, the government has said that the peace process will benefit the country's energy sector. However, other experts have warned that areas of the country that had previously been under FARC control may now be vulnerable to environmental exploitation by illegal groups. Which aspects of Colombia's energy sector are most likely to see a change as disarmament begins? Will Colombia see fewer attacks on its oil sector infrastructure? What challenges remain as Colombia looks to reap the benefits of the peace agreement vis-à-vis the energy sector?

**A** John Padilla, managing director, and Sergio Torres, consultant, at IPD Latin America: "Colombia's peace agreement with the FARC has had a positive, though limited, effect on the country's energy sector. Terrorist attacks against oil infrastructure in FARC-dominated areas (i.e., southwestern Colombia, along the Ecuadorean border) are down, and should maintain that trend. But the ELN, Colombia's second-largest guerrilla group, which started peace negotiations with the government in February, has intensified its attacks against the sector. Attacks on the 485-mile Caño Limón-Coveñas pipeline have resulted in increasing levels of shut-in production from the Caño Limón field in 2017. The pipeline transports nearly 10 percent of Colombia's total oil production. Seventeen attacks have already been perpetrated this year, as compared to 43 total last year. These attacks have

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Venezuela Roiled by Second Day of Protests

For a second consecutive day, anti-government demonstrators clashed with security forces as they called for President Nicolás Maduro's ouster.

Page 2

### ECONOMIC

## Puerto Rico to Privatize Dozens of Public Services

The administration of Governor Ricardo Rosselló is planning to sign deals to privatize dozens of public services in the U.S. commonwealth.

Page 2

### POLITICAL

## Trump Quietly Meets With Ex-Colombian Presidents

U.S. President Donald Trump quietly met last weekend with former Colombian Presidents Álvaro Uribe and Andrés Pastrana, both of whom have been critical of Colombia's peace deal with the FARC rebels.

Page 2



Trump // File Photo: White House.

## POLITICAL NEWS

## Venezuela Roiled by Second Day of Violent Protests

Violent anti-government protests continued for a second day in Venezuela as the country's opposition continued pushing for regime change, the Financial Times reported. In Caracas, anti-government protesters hurled rocks at police, who responded by shooting tear gas. "We will continue until democracy is restored in

**“We will continue until democracy is restored in our country.”**

— Juan Andrés Mejía

our country,” said Juan Andrés Mejía, coordinator of the political party of jailed opposition leader Leopoldo López. Thursday's protests came a day after at least three people were killed during massive anti-government demonstrations Wednesday, which organizers called the “mother of all marches.” Two students were killed Wednesday, with the opposition blaming armed supporters of the government. A national guard sergeant was also shot by a sniper, according to Venezuela's ombudsman. The protests are the largest Venezuela has seen since 2014 and followed actions opponents see as power grabs by President Nicolás Maduro's government. Late last month, Venezuela's Supreme Court, which is stacked with government loyalists, effectively dissolved the opposition-controlled National Assembly. The Venezuelan comptroller's office later banned opposition leader Henrique Capriles from holding office for 15 years on what the opposition sees as a trumped-up charge. The Miranda state governor is seen as a possible opponent to Maduro in next year's presidential election. On Thursday, Maduro danced on stage during a counter-demonstration of supporters. “I say no to coup-mongering, interventionism, violence,” he said. [Editor's note: See [Q&A](#) on Venezuela in the April 12 issue of the Advisor.]

## Trump Quietly Meets With Ex-Colombian Presidents in Florida

U.S. President Donald Trump quietly met last weekend with two former Colombian presidents who have been critical of the country's peace deal with the Revolutionary Armed Forces of Colombia, or FARC, rebels, the Miami Herald reported Thursday. The meeting between Trump and former Colombian presidents Álvaro Uribe and Andrés Pastrana happened at Trump's Mar-a-Lago resort in Florida and was neither on Trump's official schedule nor disclosed to reporters who traveled with him to Florida, the newspaper reported. White House Press Secretary Sean Spicer initially refused to answer questions about the meeting.

The White House later confirmed that it had occurred, but downplayed its significance. White House spokeswoman Sarah Huckabee Sanders said the former Colombian presidents were coincidentally at Mar-a-Lago and “briefly said hello when the president walked past them,” the Herald reported. Colombian news media reported that the meeting was arranged by U.S. Senator Marco Rubio (R-Fla.), a critic of the peace accord. Colombian President Juan Manuel Santos is expected to meet with Trump next month at the White House to push him and Congress to maintain the \$450 million in foreign aid promised during the Obama administration to help implement the peace deal.

## ECONOMIC NEWS

## Puerto Rico to Privatize Dozens of Public Services

Puerto Rico is planning to sign deals that will privatize the operations of dozens of public services as the government coffers dwindle, Governor Ricardo Rosselló told 800 investors during a financial summit on Thursday, the Associated Press reported. Rosselló said the

## NEWS BRIEFS

## Mexico Accuses U.S. of Violating Immigration Rules in Deportations

Mexican authorities on Thursday blasted U.S. officials, accusing them of violating their own rules by carrying out two deportations, The Hill reported Thursday. Juan Manuel Montes Bojorquez is the first recipient of the Deferred Action for Childhood Arrivals, or DACA, program to be deported. DACA recipients, also known as Dreamers, are protected from deportation unless they commit a crime or leave the country without U.S. authorization. Maribel Trujillo is a mother of four who lived in Ohio and had no criminal record when she was deported on Wednesday.

## Guillier, Piñera Virtually Tied Ahead of Chile Vote

Chilean leftist Senator Alejandro Guillier, who is running for president, is virtually tied in the polls with the right's frontrunner, ex-President Sebastián Piñera, Reuters reported Thursday. A survey recently published by pollster MORI said 33 percent of the vote would go to Guillier in a hypothetical runoff, while 32 percent would go to Piñera. Chile is expected to hold the first round of voting in its presidential election on Nov. 19. If no candidate wins more than 50 percent of the vote, the election will go to a runoff scheduled for Dec. 17.

## Pemex Partners on Hydrogen Plants for Refineries

Mexican state-owned oil company Pemex is planning to form alliances for hydrogen plants at its Madero and Cadereyta refineries that could be ready by the end of this year, said CEO José Antonio González, Reuters reported Thursday. In February, Pemex said it would work with France's Air Liquide to operate an existing hydrogen plant and to build a second one at its Tula refinery.

public-private partnerships could generate another 100,000 jobs and \$5 billion in revenue over the next three years as the U.S. territory struggles to restructure its \$70 billion in public debt. "We are not leaving things to chance," Rosselló said, pointing out that Puerto Rico has no access to capital markets. "We are building



Rosselló // File Photo: Commonwealth of Puerto Rico.

a government that recognizes we can't do everything." Officials said the projects would be much wider in scope than most public-private partnerships in the United States, and that the projects would not require legislative approval. Rosselló said the commonwealth hopes to privatize the operation and maintenance of several highways, as well as the ferry service from Puerto Rico to the islands of Culebra and Vieques. Other projects would include waste management, student housing, parking and recreation facilities, information technology, renewable energy and natural gas projects. The government said 25 percent of the revenue from the public-private partnerships would go to financing Puerto Rico's flagging pension system, which is underfunded by about \$40 billion and is expected to run out of money this year.

## BUSINESS NEWS

### Two BRF Executives Among 60 Charged in Meat Scandal

Two executives at Brazilian poultry company BRF were among the 60 individuals charged on Thursday with taking part in a scandal to bribe health officials in return for less rigorous health inspections at meatpacking plants, Reuters

## FEATURED Q&A / Continued from page 1

forced Ecopetrol to declare force majeure on Vasconia crude shipments, which leave from the Coveñas Port, since January. Previously, ELN attacks were mostly deployed to extort payments from producing companies; now they are likely aiming to press the government for a bilateral cease-fire declaration. With legislative and presidential elections slated for March and May 2018, respectively, terrorist actions against the sector will likely remain elevated. Regardless of how ELN peace negotiations evolve, it is not clear that Colombia's government can prevent other illegal organizations from filling the power vacuum left by the FARC. The result: increased extortion and corruption, a lack of legitimate employment opportunities and rule of law, and continued inequality. A peace agreement is just the first point on a long list of structural changes Colombia must implement before its energy sector can truly benefit from an end to civil conflict."

**A Rich Donohoe and Walter Pesenti, managing directors at Berkeley Research Group:** "Infrastructure and security issues will continue in Colombia. Its current pipeline network has the capacity to transport about one million barrels per day, while inadequate road and rail systems make ground transportation complicated and expensive. Caquetá and Putumayo departments offer promises of new oil deposits, but lack a connection to the Pacific coast that could feed Chinese

reported. Federal prosecutors in Paraná state accused BRF director André Luiz Baldissera and government relations executive Roney Nogueira of taking part in the scheme. Public health officials, health inspectors and other BRF employees were also charged. BRF did not immediately respond to requests for comment, but have in the past said the company followed industry regulations and was cooperating with authorities. The charges come a month after police raided meat-packing plants owned by BRF and beef company JBS as part

demand, which consumes about 26 percent of the country's oil exports. The weak infrastructure is further undermined by continued security concerns. The Coveñas pipeline plays a vital role in exporting oil, but averages one rebel bombing each week, which is

“The weak infrastructure is further undermined by continued security concerns.”

— Rich Donohoe & Walter Pesenti

unlikely to stop. Attacks on oil infrastructure have dropped since the FARC cease-fire, but the country's second-largest guerrilla group, the National Liberation Army (ELN), is filling the vacuum. Additionally, criminal groups have quickly stepped into areas that the insurgency abandoned. Similar to the disarmament of the Irish Republican Army through political dialogue with its political arm Sinn Féin, some members of FARC may put down their weapons, but members who are professional smugglers and criminals will simply move to other similar ventures. Expect oil, gas and electric franchises to fall into illegal hands, much like in the Baltics, Balkans and Ukraine. Until a replacement

Continued on page 4

of an investigation known as "Operation Weak Flesh," in which federal police said they found evidence of meatpacking companies bribing health inspectors and politicians in exchange for allowing spoiled meat to enter the market and allowing products with traces of salmonella to be exported. The scandal threatened Brazil's \$14 billion meat export sector as international importers, including China and Europe, temporarily closed their markets to shipments of meat from Brazil. Foreign importers later lifted or narrowed their bans.

## FEATURED Q&amp;A / Continued from page 3

'center of local government' develops that can enforce rule of law in the former FARC-controlled areas, the ELN or local indigenous populations wishing to protect their environmental and societal sovereignty may continue attacks. Although the United Nations can collect weapons and disarm the FARC to a point, expect individual FARC members to keep spare weapons around 'just in case.' While pro-business policies and a favorable regulatory system can create a sense that things are easy in Colombia, the reality is very different. Low oil reserves, insufficient and weak infrastructure, persistent security risks and inherent social unrest are the biggest obstacles. In the current oil-sector environment, the benefits might not outweigh the risks. Even the government is aware of that, and it recently passed a tax reform aimed at replacing the old incomes from oil with tax revenue. Without the oil, Colombia's growth will depend on internal consumption and foreign capital."

**A** **Santiago González, partner at Norton Rose Fulbright Colombia S.A.S.:** "The peace agreement and the consequential disarmament of the FARC rebels is, without hesitation, a landmark in the history of Colombia. The government has no additional excuses for not reaching isolated and rural areas of the country, which were illegally controlled and under the forced influence of armed groups. Infrastructure, education and the satisfaction of the population's basic needs should now be a feasible priority of the government. In this framework, the energy sector will necessarily benefit from the circumstances, given that security conditions and infrastructure will now play in favor of the industry, allowing investors to access remote areas and making the most of existing but unreachable natural resources. Colombia should definitely see fewer attacks on its oil sector infrastructure. Still, we cannot forget that in addition to the FARC rebels, there

are also other illegal armed groups, such as the National Liberation Army, or the ELN, and the former paramilitary and delinquency forces. In particular, the ELN is a guerrilla group that has been actively fighting against

**“ We cannot forget that in addition to the FARC rebels, there are also other illegal armed groups...”**

— Santiago González

the exploitation of natural resources by multinational companies. Attacks on the oil infrastructure such as the Caño Limón-Coveñas oil pipeline is a reality happening right now. The government faces at least four main challenges: 1) complete a successful implementation of the peace agreement with the FARC; 2) initiate and complete a peace agreement with the ELN; 3) effectively provide the rural areas of the country with education and infrastructure and satisfy their basic needs; and 4) firmly combat the dissidents of the FARC, ELN and former paramilitary groups. This last challenge will be key to protecting areas that had previously been under FARC control from environmental exploitation by illegal groups. In turn, the energy industry will have to be prepared to deal with increasing social protests that will be promoted by former members of the rebel groups and the communities that want to receive tangible benefits from the exploitation of Colombia's natural resources. Energy companies will have to identify the best way to fit into the puzzle of the post-conflict era and get actively involved with all stakeholders."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gene.kuleta@thedialogue.org](mailto:gene.kuleta@thedialogue.org).*

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**Erik Brand**  
Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**  
Editor  
[gene.kuleta@thedialogue.org](mailto:gene.kuleta@thedialogue.org)

**Nicole Wasson**  
Reporter, Assistant Editor  
[nwasson@thedialogue.org](mailto:nwasson@thedialogue.org)

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