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FEATURED Q&A

Can Peru Provide Power to the Entire Country by 2021?



The head of Peru's Ministry of Energy and Mines, Cayetana Aljovín, said it would cost more than \$1 billion for Peru to reach its goal of 100 percent electrification of rural areas. // File Photo: TV Perú.

Q Peru last month set a target to provide electricity to 100 percent of rural residents by 2021. The head of the country's Ministry of Energy and Mines, Cayetana Aljovín, estimated it would cost Peru some \$1.05 billion to close the electrification gap in the country. What infrastructure will Peru have to build in order to realize this goal? What barriers are there to achieving 100 percent electrification? What effects will the project have on Peru?

A César Gutiérrez Peña, director at Utilities Peru and former president of Petroperú: "In order to universalize electricity coverage, which today reaches 95 percent of the population, some 368,000 new connections will need to be incorporated, according to Peruvian Mining and Energy Minister Cayetana Aljovín, and will require some \$1 billion, or an average of \$250 million annually. The goal is good in theory, as it is a service that would help facilitate social inclusion to about 1.4 million people. The challenge, however, will be finding the resources, which according to the rural electrification law have to come from various private and state sources. The former originate from the utilities of electricity sector operators, which are deducted from income tax. Citizens also contribute to the cost by paying their monthly electric bills, and this complements the basis of the government's general budget. When one reviews the annual budget, it can be concluded that there will be a deficit of about \$120 million annually, which has to be covered by resources from the public treasury, which has serious limitations, given the drop in revenue that led us to a fiscal deficit on the order

Continued on page 4

TODAY'S NEWS

POLITICAL

Venezuelan Forces Tortured Detained Protesters: Report

Venezuelan security forces systematically tortured anti-government protesters arrested during violent demonstrations earlier this year, Human Rights Watch said in a report. The government has repeatedly denied such allegations.

Page 2

ECONOMIC

Díaz de León to Head Mexico's Central Bank

Mexican President Enrique Peña Nieto named Alejandro Díaz de León as the new head of the Bank of Mexico, succeeding Agustín Carstens on Dec. 1.

Page 2

POLITICAL

Bolivian High Court Rules Morales Can Seek Fourth Term

Bolivia's Constitutional Court ruled that President Evo Morales' right to seek another term in 2019 supersedes constitutional term limits.

Page 2



Morales // File Photo: Bolivian Government.

POLITICAL NEWS

Venezuelan Forces Tortured Detainees: Rights Group

Venezuelan government security forces beat, sexually assaulted and gave electrical shocks to prisoners detained during months of violent protests earlier this year, Human Rights Watch alleged in a report released Wednesday, the Associated Press reported. The New York-based rights group said the level of repression during the anti-government protests was at a level “unseen in Venezuela in recent memory.” Anti-government protests exploded in Venezuela in April after the government-allied Supreme Court stripped the elected National Assembly of its power, a move the court later reversed following international criticism. At least 120 people died during the protests in which Venezuelans demonstrated against President Nicolás Maduro’s government amid the country’s high crime, tattered economy and shortages of food and medicine. “The widespread vicious abuses against government opponents in Venezuela, including egregious cases of torture, and the absolute impunity for the attackers suggests government responsibility at the highest levels,” Human Rights Watch’s Americas director, José Miguel Vivanco, said in releasing the report. “These are not isolated abuses or occasional excesses by rogue officers.” In some accounts, people arrested during the protests described being forced to eat food containing excrement, cigarette ashes or insects, and others said security forces released tear gas in the rooms where they were being detained. One man described being handcuffed naked, attached to a chain hanging from the ceiling, soaked with water and subjected to electrical shocks. Maduro’s government has repeatedly denied allegations of torture. “The strategy used against my country from certain centers of power is a clear example of the use of human rights as a political weapon,” Foreign Minister Jorge Arreaza told the U.N. human rights council in September, calling the allegations “baseless lies.”

Bolivia’s High Court Rules Morales Can Seek Fourth Term

Bolivia’s Constitutional Court ruled Tuesday that President Evo Morales can run for a fourth term in 2019 even though voters rejected allowing him to do so in a referendum last year, the Associated Press reported. The country’s highest court ruled that Morales’ right to run again supersedes term limits that were imposed in Bolivia’s Constitution. In announcing the ruling, the court’s president, Macario Lahor Cortez, cited the American Convention on Human Rights, which says citizens have the right to be elected through voting. Members of Morales’ Movement Toward Socialism party and other supporters applauded the ruling, but his opponents criticized it. Former Vice President Víctor Hugo Cárdenas called it “a sad day for democracy.”

ECONOMIC NEWS

Díaz de León Tapped to Lead Mexico’s Central Bank

Mexican President Enrique Peña Nieto on Tuesday named Alejandro Díaz de León to be the next head of the Bank of Mexico, the country’s central bank known as Banxico, The Wall Street Journal reported. Agustín Carstens, the highly admired chief of Banxico since 2010, is leaving next month to lead the Bank for International Settlements in Switzerland after delaying his departure earlier this year in order to provide continuity at the bank amid economic turbulence and currency pressures. Díaz de León, 47, had been widely reported to be in the running for the job. He returned to the central bank earlier this year after a decade hiatus in government. His path to the post became clear this week when Finance Minister José Antonio Meade, who reportedly had been a top pick to lead Banxico after Carstens, announced he

NEWS BRIEFS

Crew of Missing Argentine Sub Reported Water Had Entered Through Snorkel

Argentina’s navy said Tuesday that the crew of the ARA San Juan reported before losing contact that water had entered the submarine through a snorkel, causing a battery to short-circuit, BBC News reported. The sub, with 44 crew members aboard, went missing Nov. 15, and an ongoing international effort has failed to locate it.

Brazilian Senate Approves New Regulator for Mining Industry

Brazil’s Senate on Tuesday approved a bill, previously passed by the lower house, creating an autonomous regulatory agency for the mining sector aimed at accelerating the license approval process, Reuters reported. The agency, known as ANM, will replace current regulator DNPM. Last week, Brazil’s Congress passed a related proposal to raise mining royalties as part of the same reform agenda. President Michel Temer will have 15 days to sign or veto the bill. Two years ago, the Samarco mine’s dam broke, killing 17 and leading to one of the worst environmental disasters in Brazil’s history.

Pilots’ Strike Forces Aeroméxico to Cancel Flights

Striking pilots forced Mexico’s largest airline, Aeroméxico, to cancel dozens of flights on Tuesday, Reuters reported. The strike at Connect, its regional operator, was staged in protest of the dismissal of a colleague, according to the report. “Aeroméxico is working at maximum capacity to normalize operations as quickly as possible and is sorry for the inconvenience to clients,” the company said. In all, 51 flights were canceled, including flights to a number of international destinations, Air Transport World reported.

would run for president in the election next July. Díaz de León, who started his career at the central bank in 1991 and worked there for 16 years, will start his term on Dec. 1, which will run through 2021, when Carstens' term was scheduled to end. The new governor is "a very solid choice," Alberto Ramos, the chief economist for Latin America at Goldman Sachs, told Bloomberg News. "He's a very reputable technocrat with a long career trajectory at the central bank."

BUSINESS NEWS

BlackRock Buying Citibanamex's Asset Management Unit

BlackRock announced Tuesday that it is buying the asset management business of Citigroup subsidiary Citibanamex, Reuters reported. The New York-based investment management company, which has nearly \$6 trillion in assets under management, will offer asset management products to the clients of Citibanamex in Mexico, the two companies said in a joint statement. The deal involves some \$31 billion in assets under management by Citibanamex.



Fraser // File Photo: Citigroup.

Citibanamex provides services to more than 20 million clients through its network of 1,500 branches in Mexico. Citi has been focusing on expanding assets to best-in-class investment products, rather than creating new asset management products, Reuters reported. "Our goal is to create a state-of-the-art bank in Mexico focused on delivering a richer, smarter, more intuitive experience," said Jane Fraser, Citi's chief executive officer for Latin America.

CAPITOL HILL WATCH

A Look at U.S. Congressional Activity on Latin America

Rep. Luis Gutierrez, Immigrant Advocate, Announces Plans to Retire from House

Rep. Luis Gutierrez (D-Ill.), a longtime immigration reform advocate, announced on Tuesday he will retire from Congress, Fox News reported. "Today I'm announcing I won't be seeking re-election," Gutierrez said just a day after filing for re-election. Gutierrez added that he wasn't "retiring" from his efforts to reform immigration, according to the report. The 63-year-old congressman of Puerto Rican descent has served his Chicago-area district since 1993 and is a senior member of the Congressional Hispanic Caucus.

Engel Urges Transparency in Honduran Presidential Vote Count

The ranking member of the House Committee on Foreign Affairs, Rep. Eliot Engel (D-N.Y.) on Tuesday raised concerns over the delay in announcing a winner in Sunday's presidential election in Honduras. "I have been following the Honduran presidential election with great interest, and I am very concerned by a variety of troubling reports, including those on the lack of transparency coming from the Honduran Supreme Electoral Tribunal (TSE) compared to prior elections," said Engel, who formerly chaired the Western Hemisphere subcommittee. "I urge the Honduran TSE to demonstrate its willingness to uphold the principles and values enshrined in the Inter-American Democratic Charter," he added, referring to the agreement signed in 2001 by all active members of the Organization of American States, which spells out what democracy entails and how it should be defended. Honduras' electoral court said Tuesday that the final vote count should be released by Wednesday night, the Associated Press reported.

Rubio Opposes Trump's Selection of Ambassador Colombia

Sen. Marco Rubio (R-Fla.) this week expressed "serious concerns" about President Donald Trump's selection of a career State Department official and former top aide to then-Secretary of State Hillary Clinton to be ambassador to Colombia, the Washington Free Beacon reported Tuesday. While Trump this month tapped Joseph Macmanus, a veteran of the foreign service for the ambassadorship, Rubio and other senior Republican lawmakers expressed opposition to the nomination. "It is deeply concerning that Mr. Macmanus was somehow selected to lead our only NATO partner in Latin America," said Rubio. "As a former advisor to Secretary Clinton, he played a significant role in the spread of misinformation following the Benghazi attacks, and I have serious concerns over his ability to represent our interests and adequately influence U.S. foreign policy in such an important capacity." Republican Senators Ted Cruz of Texas and Mike Lee of Utah have also spoken critically of the choice. Fluent in Spanish, Macmanus has been a senior aide to four secretaries of state and has served at five U.S. missions overseas.

FEATURED Q&A / Continued from page 1

of 3 percent this year. The challenge will be finding the funds to make the goal of 100 percent coverage a reality.”

A **Jaime E. Luyo, academic director of the PhD Energy Program at the Universidad Nacional de Ingeniería:** “In the Rural Electrification Plan (REP) published by the Ministry of Energy and Mines in December 2015, it is projected that by the year 2025, electricity will reach 3.4 million rural inhabitants, reaching a rural electrification coefficient (REC) of 99.8 percent, but by 2021 there will be almost half a million people without electricity. The ministry reports that the REC went from 29.5 percent in 2007 to 78 percent in 2015. We believe that this great jump is due to the larger investments in rural electrical infrastructure and, above all, due to the effect of the massive installation of photovoltaic panels in isolated areas with the limitation that only the need for lighting and entertainment (watching TV) is solved, since the reduced capacity of the panels does not allow the carrying out of productive activities; that is, the REC must be corrected for being overestimated. The REP has planned for the period between 2016 and 2025 to install 500,000 panels, approximating the REC to 100 percent with an investment of \$400 million and a total for the rural sector of \$1.2 billion to close this electrification gap, but we believe it will not solve the problem of rural poverty. Because difficult barriers with isolated communities and in forested areas of the Amazon exist, new micro-grids and distributed generation technologies with renewable energy resources must be introduced, so that in the medium- and long-term, these poor populations do not depend on a cross subsidy. To achieve the goals of the REP, the government should rethink using new energy technologies and an affordable price policy, avoiding the subsidies and surcharges that currently distort electricity prices, which reflects that

the residential tariff in Peru is one of the most expensive in South America, while industrial tariff is the opposite.”

A **Luis Fernández Pérez, managing partner at Gas Energy Latin America:** “This is not the first time that the Energy Ministry has announced a target of 100 percent electrical coverage in rural areas. This target is almost impossible to achieve in Peru, even in urban zones, because of the absence of long-term urban growth plans and continuous illegal settlements without basic services. This is a political message to show concern about rural zones; there has already been a government policy since 2011 to try to get as near as possible to 100 percent coverage, but we have estimated that complete coverage will require at least \$3 billion and will take more than four years to complete. Isolated rural populations are far from the cities and live in dispersed small communities across a country that is 1.3 million square kilometers. In November 2014, Ergon Power won the first bidding process to install 3,554 photovoltaic systems off-grid to connect 500,000 homes in isolated communities in southern Peru. PV modules with capacities of 120 watts for homes, 600 watts for health centers and 1,200 watts for schools were proposed. In our view, a serious electrification program should include at least 2 kilowatts per home and thus, as mentioned before, the investment required must be three times higher than the one indicated by the ministry. To approach a target near 100 percent is possible with a serious off-grid plan, identifying all places to cover, a transparent bidding process and rapid license and permission process. There is no doubt that this will have an important social impact on the quality of life for rural populations.”

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