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FEATURED Q&A

What Did Bolivia's Morales Achieve in Russia and China?



Bolivian President Evo Morales' foreign travels last month included a visit to Russia, where he met with President Vladimir Putin. // Photo: Bolivian Government.

Q Bolivian President Evo Morales last month visited Russia, where he met with President Vladimir Putin and received pledges for investments in the Andean nation's hydrocarbons, mining and information technology sectors. Morales later visited China, where he and President Xi Jinping agreed to cooperate on infrastructure, commerce and other areas. How much did Morales achieve on his foreign tour? To what extent will the agreements discussed during the trip boost Bolivia's economy? What do China and Russia gain from the agreements with Bolivia?

A Pablo A. Canedo Daroca, chargé d'affaires at the Embassy of Bolivia in Washington: "Since President Evo Morales took office in 2006, Bolivia has developed strong policies regarding the energy sector, specifically advancing several strategic areas. We are recovering the property of energy chain industries for the country through the nationalization process and created the program 'Bolivia Centro Energético de Sudamérica' in order to have surrounding energy-market countries as the main consumers of Bolivian energy. We have created new projects and goals to be achieved within the Patriotic Bolivian Agenda 2020/2025 plan for energy, which will implement around 10,000 megabytes of energy offers by 2025. For this effort, Bolivia has created a new ministry of energy in 2017, separating the hydrocarbons ministry in two. ENDE (Empresa Nacional de Energía) is the one in charge of generating energy through gas, thermal, hydro, solar, nuclear and other sources. The goal is to give all Bolivian citizens access to 100 percent

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FDI to Latin America Declines for Fourth Straight Year

Foreign direct investment to the region declined 3.6 percent last year, and 20 percent from 2011.

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The industrial conglomerate signed the agreement with Brazil's solicitor general and comptroller general in connection with the company's bribery scandal.

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Mexico Won't Intervene in Venezuela, Nicaragua: Ebrard

Mexico's government will not intervene in the affairs of other Latin American nations, such as Venezuela and Nicaragua, said Marcelo Ebrard, Mexico's incoming foreign minister.

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Ebrard // Photo: Government of Mexico City.

POLITICAL NEWS

Mexico's Government Won't Intervene in Venezuela: Ebrard

Mexico's next government will not intervene in the crises of other Latin American nations, such as Venezuela and Nicaragua, Mexico's incoming foreign minister, Marcelo Ebrard, said Monday in an interview with Radio Fórmula. "Mexico will follow a respectful foreign policy of nonintervention ... and right now, we don't expect to abandon that policy," said Ebrard. "That does not mean that we're not concerned about the situation in one country or another, in this case Venezuela. We're going to look into it and see how we can design, or contribute, in the best way." Ebrard added that such a policy of nonintervention would also extend to Nicaragua. In the interview, Ebrard also lamented how the United States has treated Mexico. "The treatment we've received from the United States has been terrible," said Ebrard. "What we have to do now is look for areas of understanding." U.S. President Donald Trump has railed against Mexico since he began campaigning for the office, saying the country is sending rapists and drug traffickers to the United States and also repeatedly vowing to build a multi-billion-dollar wall along the countries' border

that he insists Mexico will pay for. He has also threatened to walk away from the North American Free Trade Agreement, or NAFTA, if the United States does not receive a better deal in renegotiations. Ebrard said U.S. Secretary of State Mike Pompeo will be in Mexico on Friday to meet with Mexican President-elect Andrés Manuel López Obrador, who was elected July 1.

ECONOMIC NEWS

FDI to Latin America Declines for Fourth Consecutive Year

Foreign direct investment flows to Latin America and the Caribbean last year declined for the fourth year in a row, according to a new briefing paper by the United Nation's Economic Commission for Latin America and the Caribbean, or ECLAC. FDI in the region amounted to \$161.673 billion, representing a 3.6 percent drop from 2016 and a striking 20 percent drop from 2011. Most countries in the region actually observed an increase in FDI flows, but a sharp downturn in Brazil, Chile and, to a lesser extent, Mexico contributed to the overall decline. Several factors, including tensions

NEWS BRIEFS

Masked Gov't Supporters Attack Priests Aiding Protesters in Nicaragua

Masked supporters of Nicaraguan President Daniel Ortega's government on Monday attacked a group of Roman Catholic priests in the San Sebastián Basilica in the municipality of Diriamba, the Associated Press reported. The priests were there to help protesters stuck inside the church since state police had violently shut down a protest on Sunday. Human rights groups say eight civilians were killed in Sunday's confrontations, while the police reported two dead, the AP reported. The Catholic Church is mediating peace talks between Ortega and opposition groups. More than 250 people have died since clashes began in April.

Colombia's Santos Signs Measure to Encourage Drug Gangs to Surrender

Colombian President Juan Manuel Santos on Monday signed a law that cuts in half prison sentences for criminal groups that turn themselves in as a group, the Associated Press reported. The measure aims to incentivize the country's largest drug gangs to surrender. Santos said the Gulf clan, a right-wing paramilitary involved in violence and trafficking of cocaine in northern Colombia, has already said it will surrender under the new law, the AP reported.

Chile's Piñera Eyes Free Trade Agreement With Caricom

Chilean President Sebastián Piñera said he is interested in entering a free trade agreement with the Caribbean Community (Caricom) at the 39th Regular Meeting of Caricom heads of government last Friday, the Jamaica Information Service reported. Piñera also pledged to continue scientific and technical cooperation with Caricom in the organization's efforts to curb the effects of natural disasters.

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clean, sustainable and affordable energy options. The government has implemented new thermal electric generators near the oil and gas production areas of the country, such as near the border with Argentina and Paraguay, to start exporting in 2019. We also have a strategic relationship with different countries that are helping to transfer know-how, technology and experiences in the energy sector. Countries such as Germany, China and Russia are bringing their expertise and economic support. The recent visit of President Morales to China and Russia also responded to these developing projects, which have been implemented since he took office."

A Margaret Myers, director of the Latin America and the World Program at the Inter-American Dialogue:

"Evo Morales' trips to China and Russia were successful in reinforcing Bolivia's ties to the two nations, but they resulted in few immediate gains. Morales likely succeeded in highlighting a number of Bolivian mining and infrastructure projects in his meetings with Chinese president Xi Jinping and Chinese businesspeople. Those could be of interest to Chinese companies in the coming months as the Asian nation works to extend the Belt and Road to Latin America. During the visit, Bolivia became the fourth Latin American and

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over potential restrictions on trade, a growing trend to relocate production to developed countries and China limiting their FDI recipients in accordance to its new foreign policy strategy, are all reasons for the steady fall in FDI flows to Latin America, the report said. Additionally, lower commodity prices since 2011 reducing investment in the extractive industries and economic recession in 2015 and 2016, particularly in Brazil, also added to the decrease in FDI inflows. These two factors were partially upturned in 2017, and oil and metal prices also picked up, but not enough to reverse the FDI trend, ECLAC said.

BUSINESS NEWS

Odebrecht Signs Leniency Deal With Brazilian Officials

Brazilian industrial conglomerate Odebrecht, which has been enmeshed in a massive multi-country corruption scandal, on Monday signed a leniency deal with two Brazilian state entities, O Estado de S.Paulo reported. The company signed the agreement with Brazil's solicitor general and comptroller general to pay approximately \$700 million over 22 years to Brazilian state-owned oil company Petrobras and other government entities, the Associated Press reported. As part of the agreement, the solicitor general and comptroller general will drop their legal cases against Odebrecht. The deal expands a settlement that Odebrecht made with authorities in Brazil, the United States and Switzerland to pay a total of \$2.6 billion for its role in the bribery scandal.

Scotiabank Closes \$2.2 Bn Acquisition of BBVA Chile

Scotiabank closed its \$2.2 billion acquisition of Spanish banking group Banco Bilbao Vizcaya Argentaria's subsidiary in Chile, or BBVA Chile, the Canadian bank said Friday. The 68 percent

THE DIALOGUE CONTINUES

What Changes Will López Obrador Bring to Mexico?

Q **Leftist Andrés Manuel López Obrador trounced his opponents in Mexico's presidential election on July 1. López Obrador, widely known as AMLO, won by more than 53 percent of the vote and defeated his nearest rival, conservative Ricardo Anaya, by more than 30 percentage points, the largest margin of victory for a presidential candidate since 1982. To what can AMLO attribute his victory? What are the biggest takeaways from the election? What do the results portend for economic policy and the business climate? What changes are in store for Mexico?**

A **Wolfram F. Schaffler Gonzalez, director of the Texas Center for Border Economic and Enterprise Development at Texas A&M International University:** "López Obrador's victory in the Mexican elections continues a trend seen in other national elections around the world where fed-up voters opt for a radical rupture with the past. In the short term in Mexico, there will be both joy and despair. Young voters and long-time AMLO supporters will find common ground in their idea/objective of a new type of nation. AMLO opponents will linger on a while, but with the new political landscape there will probably be more and more politicians who

will change the colors of their ideology. While this happens, there will be an almost gleeful expectation on how the Trump-AMLO relationship evolves, hopefully without severe economic or political impacts that would cause irreversible damage for the peso or for U.S.-Mexico trade and life at the border. For the rest of Mexicans, life will go on, now with a renewed hope that things will improve for them where it matters the most: more security, less violence, more better-paid jobs and less poverty. AMLO's biggest challenge will be fulfilling his promises to fight corruption, strengthen the rule of law, reduce inequality and restore peacefulness to a country that desperately needs all of this, while at the same time everyone would be expecting the unexpected response of a neighbor who could very easily change the dynamics of the relationship and, consequently, the future of NAFTA and other bilateral issues vital to both nations. But there is hope, because as the Spanish saying goes 'la esperanza muere al último.' That is, hope dies last."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the July 3 issue of the Advisor.

stake brings Scotiabank's presence in the South American country to about a 14 percent market share in total loans, making it one of the largest private banks in Chile, Banking Business Review reported. It will begin merging BBVA Chile with its existing Scotiabank Chile branch after approval from the nation's Superintendent of Banks and Financial Institutions, the bank's statement said. Scotiabank intends to reach an agreement with the Said family, which currently holds the remaining 32 percent stake in BBVA Chile, for it to have a "participation of

close to 25 percent in the merged bank," the statement said. The transaction is Scotiabank's latest move in a wider strategy to increase its presence in Pacific Alliance countries. In late June, the Canadian banking group announced that its Colombian subsidiary, Banco Colpatria, had completed the acquisition of Citibank Colombia's retail, credit card and small- and medium-sized enterprise operations, expanding its customer base by more than 500,000 and making it a market leader in credit cards, Scotiabank said in a statement.

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Caribbean country to sign a Belt and Road Cooperation Agreement (following Panama, Trinidad & Tobago, and Antigua & Barbuda), and established a 'strategic partnership' with China. The outcomes from Morales' meeting with Vladimir Putin were also rather intangible. The two sides agreed to advance technical-military cooperation and to examine prospects for Russian investment in Bolivia. Other outcomes were perplexing—the Bolivian president reportedly expressed interest in joining the Eurasian Economic Community, for example, which currently includes Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. And Putin considered Russian investment in the Bi-Oceanic railway—one of the three proposed routes traverses Bolivia. Though light on concrete results, Morales' visits might deliver some minor trade gains—both China and Russia are reportedly open to importing more Bolivian agricultural goods. Russia offered to send a phytosanitary team to Bolivia in the coming months to identify products of interest to Russian consumers."

A **Peter Larrea, co-founder and researcher at Comunidad de Estudios Chinos y Latinoamericanos (CECLA):** "President Morales' recent meetings with President Putin and President Xi stand in contrast to each other. The hastily put-together meeting with President Putin resulted in many intentions of collaboration—including Russian interest in the Bi-Oceanic railroad—but little substance. The one document of substance

was an agreement ratifying a memorandum of understanding, subscribed seven months ago, for \$1.2 billion in investment with the Russian company Gazprom. Given gas' sizeable share of Bolivia's GDP, and recent discussions on gas reserves and decreases in production, this agreement is significant to Bolivia's economy. Morales' visit to China was more fruitful and included the upgrading of the bilateral relationship to the level of 'strategic partnership' and Bolivia's formal inclusion in the Belt and Road Initiative. Also worth noting is a series of protocols for opening the Chinese market to Bolivian agricultural goods, as well as a vague 200 million yuan agreement on 'economic and technical cooperation.' Bolivian exporters reacted positively. Exporters want a reduction in Bolivia's trade deficit with China (which by 2017 stood at roughly \$1.6 billion) as well as greater diversification of Bolivian agricultural exports to the attractive Chinese market. The initial steps taken during this visit to open the Chinese market are moving in the right direction, but further progress will require big investments and knowledge of market conditions. Undoubtedly, the visits had a political side: China and Russia both want to secure a political ally and are doing their best to shore up support for Morales as he seeks re-election."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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