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FEATURED Q&A

Is Mexico's Proposed Baja Desalination Project a Bad Idea?

Q Two new desalination plants are being planned for Playas de Rosarito, in Mexico's northwest corner, that would produce a combined 150 million gallons of water a day for use on both sides of the Mexico-U.S. border, the Associated Press reported last month. Agencies that supply water to Southern California, Phoenix and Las Vegas are involved in one of the projects. Are such projects a good idea for both the United States and Mexico? How valid are concerns that U.S. water interests are trying to avoid tighter U.S. environmental regulations by helping to build desalination plants in Mexico? How have current desalination plants on the Baja peninsula worked out for Mexico?

A Tom Pankratz, editor of the *Water Desalination Report*: "The importance of site selection in the overall success of a seawater desalination facility cannot be overemphasized. Siting is a significant element in determining a plant's environmental impact, economics and process performance. Increasing plant capacities make it more difficult to find suitable coastal desal sites—especially in highly developed Southern California. As a result, most desal projects have been proposed to be co-located with an electric generating plant where they may be able to share infrastructure, environmental data and security costs. A recent feasibility study of the bi-national project did not indicate any attempt to

avoid U.S. environmental regulations by proposing to site a desal plant serving in Mexico. The Rosarito Beach site appears to have been selected based on land availability within the Presidente Juárez power complex, the possibility of sharing existing infrastructure and its proximity to the border. The 1983 La Paz agreement calls for cooperation in the protection and improvement of the environment in the U.S.-Mexico border area. It also serves as the legal basis for the Border 2012

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Pérez Molina Wins Guatemala's Presidency with 54 Percent

Retired military general Otto Pérez Molina won the presidency of Guatemala on Sunday with 54 percent of the vote. His running mate, Roxana Baldetti, became the first woman to be elected vice president. See story on page 2.

Photo: Prensa Libre.

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NEWS BRIEFS

Smartphone Sales Should Surpass \$6 Billion in Latin America: Study

Sales of smartphones in Latin America should surpass \$6 billion this year, Boston-based **Pyramid** said Friday. In a new study, the research firm said 31 million smartphone units will be sold in the region this year. Last year, the smartphone market in Latin America grew 117 percent, and total handset sales grew 17 percent. Smartphone unit sales in the region to grow at a 30 percent compound annual growth rate in the next five years, Pyramid said.

Uruguay Lashes Out at Argentina Over Tax Haven Issue at G20

Opposition leaders in Uruguay on Friday threatened to pull out of the Mercosur trade bloc over a tax haven dispute that surfaced at the G20 meeting in France, the *Buenos Aires Herald* reported. In a speech Friday, French President Nicolas Sarkozy urged the international community to "isolate Uruguay because it is a tax haven." His statements generated a formal complaint from the Uruguayan government, which blamed Argentina, with which it has had longstanding differences over financial transparency, as the source of the remark.

Chilean Economy Grows 5.7 Percent in September

Chile's economy grew a faster-than-expected 5.7 percent in September compared to the same month in 2010, Bloomberg News reported. The country's central bank said Monday the retail and fishing industries led growth. The economy gained 4.8 percent in the third quarter from last year. Depending on global demand, Chile's GDP will grow 6 percent to 6.5 percent in 2011 and 4 percent to 5 percent next year, the government forecasts.

Political News

Otto Pérez Molina Wins Guatemala's Presidency with 54 Percent of Vote

Retired military general and conservative Patriot Party founder Otto Pérez Molina won the presidency of Guatemala on Sunday, *Prensa Libre* reported. Pérez, 61, garnered 54 percent of the vote, compared to 46 percent of ballots going to businessman Manuel Baldizón. More than 98 percent of the votes have been counted. Pérez's running mate, Congresswoman Roxana Baldetti, became the first woman to be elected vice president of Guatemala. The two will take office on Jan. 14. Pérez won the race by promising a "firm hand" with crime, vowing to deploy troops on the streets and improving the police force. "From the first day on, Guatemalans are going to see they've got a president committed to defending the lives and safety of all Guatemalans," Pérez said late on Sunday, adding he will devote at least 60 percent of his time to security, Reuters reported.

Ortega Appears Headed for Victory in Nicaragua Elections

Nicaraguan President Daniel Ortega appears headed to win re-election in Sunday's vote, local daily *La Prensa* reported Monday morning. Ortega had nearly 64 percent of the votes with some 38 percent of polling places reporting. His nearest challenger, Fabio Gadea, had 29 percent. The president of the electoral council, Roberto Rivas, told reporters Sunday night that "tolerance prevailed" during the vote, although some political parties "insisted on tarnishing the process." International election observers reported problems with access to some voting stations, the Associated Press reported. A national group of observers, Let's Have Democracy, said it recorded 600 complaints of voting irregularities, a handful of injuries in protests and 30 arrests. One polling place was reportedly set on fire. The head of Gadea's campaign, Eliseo Núñez, said 20 percent of party representatives had been blocked from overseeing polling places "by paramilitary

mobs." Claims of widespread fraud in the 2008 municipal elections, dominated by ruling Sandinista Party candidates, led Washington to cancel \$62 million in development aid to Nicaragua. Ortega, 65, was able to run for a third term because earlier this year the Supreme Court overruled the term limits set by the Nicaraguan constitution.

Top Colombian Rebel Commander Killed in Government Raid

Guillermo Saenz Vargas, considered the top commander of Colombia's FARC rebel group, was killed Friday in a shootout with government commandos. His death comes after a months-long pursuit, *The Washington Post* reported. Commonly known to Colombians by the alias Alfonso Cano, Saenz was reportedly shot three times outside a house several hours after an aerial bombardment had flushed him from a guerrilla encamp-



Cano

File Photo: AFP.

ment. His death leaves the other six members of the group's ruling circle, the secretariat, with no heir apparent, according to officials. "This is a major blow, the most important against the FARC because of the importance that Alfonso Cano had within the rest of the secretariat," President Juan Manuel Santos told reporters Saturday.

Economic News

Peru Congress Approves Decade-Long Moratorium on GMOs

Peru's Congress on Friday approved a 10-year moratorium on imports of genetical-

ly modified organisms in order to "safeguard the country's biodiversity," AFP reported. The measure bars genetically modified plants and animals from being imported for cultivation or to be raised locally. Congress approved a similar 10-year moratorium in June, but outgoing president Alan Garcia did not ratify the ban. President Ollanta Humala, in power since July, is expected to sign the bill into law. Exceptions were made in the bill for the use of GMO products for research purposes in a closed environment. Advocates for GMOs say they will help increase agricultural productivity in the face of swelling populations and global climate change. Critics worry they will reduce the world's biodiversity.

Company News

Talks Collapse for BP's Stake in Argentina Assets: Report

BP's \$7 billion deal to sell its stake in an Argentine crude-oil producer to a joint venture involving Argentina's **Bridas Energy** and China's **Cnooc** has collapsed, Dow Jones reported Saturday. Bridas said the talks over the 60 percent stake in **Pan American Energy** ended because of "legal reasons" and because of "the way BP has acted during the transaction," according to the report. Bridas denied media reports citing Argentine political opposition to the deal, saying that both the Argentine and Chinese governments "have always acted positively regarding the transaction." "Neither the European nor the international financial crisis nor any measures taken in Argentina have had any influence on this decision," Bridas said. Bridas said it wouldn't rule out further talks. "We are totally open and have always willing to find constructive solutions ... We don't have any idea how BP is going to react. You'd have to ask BP," company officials told Dow Jones.

Kirin Holdings Spends \$1.3 Billion for More Shares of Brazil's Shincariol

Tokyo-based **Kirin Holdings** said Friday it has bought all the shares it doesn't already own in Brazilian brewer **Schincariol**, Dow

Jones reported. The company has been negotiating for the past three months with Schincariol shareholders who are opposed to the deal. In August, Kirin agreed to buy a 50.45 percent stake in the closely held Brazilian beer and soft drinks company in a deal valued at about \$2.56 billion. Kirin's attempts to take over the rest of the company were held up, however, when minority shareholders gained a provision-

al injunction in a local court to block its efforts. A Brazilian court last month lifted the injunction, clearing the way for Kirin to take over the rest of Schincariol. Schincariol family members will withdraw eventually from the company, Dow Jones reported. Brazil's beer consumption jumped 11 percent in 2010, well ahead of average growth rates in mature markets, which have stalled in the low single digits.

Subscriber Notice

An Inter-American Dialogue Discussion

Beyond the China Boom: Latin America's Long-Term Growth Prospects

with

Augusto de la Torre

Chief Economist,

Latin America and Caribbean Region

World Bank

and commentary by

Alejandro Izquierdo

Principal Economist,

Inter-American Development Bank

Claudio Loser

Senior Fellow,

Inter-American Dialogue

Tuesday, November 22, 2011

3:00 to 4:30 p.m.

Inter-American Dialogue

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Subscribers can register by emailing meetings@thedialogue.org

Featured Q&A*Continued from page 1*

Program, which empowers U.S. and Mexican federal environmental authorities to undertake cooperative initiatives with the EPA and SEMARNAT serving as national coordinators. In addition, international institutions that finance most projects over \$10 million require adherence to the Equator Principles—a benchmark for determining, assessing and managing social and environmental risk—as a condition of the loan. All indications point to the site being a viable choice that was not selected to sidestep U.S. environmental regulations."

A **Serge Dedina, executive director of Wildcoast Costasalvaje:** "There might not be another place in the Californias where as much raw sewage is discharged into the ocean as the coast around Rosarito Beach in Baja California, Mexico. The Punta Banderas sewage gully, located a few miles north of Rosarito and about six miles south of the U.S.-Mexico border, discharges approximately 30 million gallons a day of treated and untreated sewage into the surf zone. When the wind blows out of the northwest, and swells from the northwest and west pound the coast (which occur throughout the year), the extensive and very visible Banderas sewage plume moves south and contaminates beaches for miles. Additional legal and illegal sewage pipes and gullies along the coast discharge millions of gallons of sewage into the ocean, as well. Due to the high levels of ocean pollution, the lack of any meaningful water quality monitoring and spotty if almost non-existent environmental enforcement in northern Baja California, the northern end of Rosarito Beach might be the worst location in North America to place a \$500 million

desalination plant that would process 100 million gallons of day of ocean water. The desalination plant, proposed by NSC Agua, would also involve sending treated water to the United States, due to a partnership and \$35 million investment by the Otay Water District located in south San Diego Bay. That the NSC Agua project is a terrible idea is a given for anyone who is familiar with this garbage- and

“The northern end of Rosarito Beach might be the worst location in North America to place a \$500 million desalination plant.”

— *Serge Dedina*

sewage-ridden coastline in Baja California. That an American water company would consider such a large investment in a shaky project that would have no oversight in Mexico, in order to sell American consumers tainted water, is unthinkable. I would hope that Mexico's National Water Commission (CONAGUA) and regulatory agencies in the United States will put a stop to this project. It would further develop this fragile coastal area in Baja California for the purposes of serving private and public utilities and consumers in the United States, rather than the recreational and economic needs of Mexican citizens."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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