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THEDIALOGUE

FEATURED Q&A

How Will Demand for Lithium Affect Latin America?

Bolivia's Salar de Uyuni salt flat is believed to hold 50 to 70 percent of the world's lithium reserves. // File Photo: JM Rosenfeld.

Q Global annual demand for lithium, which is used for batteries in electric vehicles and mobile electronics, is expected to more than double by 2020. How would an increased demand affect Chile, Bolivia and Argentina, all of which have the capacity to develop large quantities of the metal? What uses will likely become more common for lithium as supply increases in the coming years? Will lithium become the most dominant clean energy source to replace petroleum for transportation needs? How would a shift such as that one affect Latin American economies overall?

A Simon Moores, managing director at Benchmark Mineral Intelligence in London: "Increased demand for lithium would be a positive factor for all three countries which host significant lithium resources in landlocked, subsurface brines. Political factors will always be a challenge, however. Chile has had a number of political issues in recent years which have prevented any new supply of its lithium assets. This has only recently been clarified to some extent with Albemarle being granted new extraction rights, but SQM, the world's biggest producer by volume and a Chilean-owned company, is still awaiting news on its future. Since Macri took office Argentina, there is renewed hope in the country and this has extended to the lithium sector. Argentina has always lagged behind Chile in developing its economic lithium reserves, but with Chile stalling and the new political environment, many are positive that Argentina can become one of the world's leading producers of lithium. Bolivia has always been difficult to predict. The country has used its huge lithium resources in the Salar de Uyuni for

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Colombia's attorney general's office is investigating Finance Minister Mauricio Cárdenas' activities surrounding the government's sale of power generator Isagen.

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Brazilian Police Raid Steelmaker Gerdau

In addition to raiding the company's offices, Brazilian federal police summoned its CEO to testify in connection with tax evasion allegations.

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POLITICAL

Opposition Jamaica Labour Party Wins Narrow Victory

The Jamaica Labour Party, led by Andrew Holness, on Thursday won a majority of seats in the Caribbean nation's House of Representatives, ousting incumbent Prime Minister Portia Simpson-Miller.

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Holness // File Photo: Jamaican Government.

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POLITICAL NEWS

Opposition Jamaica Labour Party Wins Narrow Victory

The opposition Jamaica Labour Party on Thursday won a narrow victory in the country's parliamentary election, BBC News reported. The party, led by Andrew Holness, won 33 of the 63 seats in the House of Representatives, defeating Prime Minister Portia Simpson-Miller's People's National Party. "We don't take it that we have won a prize," Holness told supporters late Thursday. "The cost of victory is to keep the commitments we have made." During the campaign, which focused largely on economic issues, Holness vowed to pursue policies to create jobs, grow the economy and also improve the Caribbean nation's education and healthcare. Holness, who previously served as prime minister from October 2011 to January 2012, has said he would create 250,000 jobs in Jamaica and also eliminate income tax for many workers, Reuters reported. Simpson-Miller, Jamaica's first female prime minister, was credited with returning the heavily indebted country to economic growth and low inflation. She also pursued austerity measures, including spending cuts and wage freezes as part of a $1.27 billion bailout package from the International Monetary Fund. Jamaica's gross domestic product grew 1.3 percent last year, according to the World Bank. Also, while inflation fell to a 48-year low during Simpson-Miller's time as prime minister, unemployment remains at a stubbornly high 13 percent, with youths particularly hard-hit. Many Jamaicans also have lamented the country's high crime rate, which is largely blamed on gangs, the Associated Press reported. Last year, the country had 1,192 homicides, an increase of approximately 20 percent from 2014.

> **"The cost of victory is to keep the commitments we have made."**
>
> **— Andrew Holness**

Argentina's Nisman Was Murdered: Federal Prosecutor

In an 11-page legal brief submitted to Argentina's national criminal appellate court, Argentine federal prosecutor Ricardo Sáenz said his former colleague, Alberto Nisman, was murdered last year after accusing then-president Cristina Fernández de Kirchner of trying to sabotage his investigation into a 1994 terrorist bombing of a Jewish community center in Buenos Aires, The Wall Street Journal reported Thursday. Days before Nisman's death, he had accused Fernández of conspiring with Iran to cover up the country's role in the attack, which she denies. Sáenz submitted his nonbinding opinion with the goal of convincing the court to transfer the investigation into Nisman's sudden death to a different federal court. Nisman's death had been thought by some, including some expert witnesses, to be a suicide. "There is no doubt that Alberto Nisman was not the one who fired the gun that killed him, which necessarily leads to the conclusion that he was the victim of a homicide," Sáenz said in the brief. The prosecutor declined to comment on what spurred him to write the legal brief. The brief comes after President Mauricio Macri has pledged to push forward the investigation into Nisman's death. After taking office in Decem-

Nisman // File Photo: Argentine Government.

NEWS BRIEFS

Colombia Attorney General Investigating Cárdenas in Isagen Sale

Colombia's attorney general office announced Thursday it is opening a preliminary investigation into Finance Minister Mauricio Cárdenas for alleged irregularities in the recent $2 billion sale of previously state-owned power generator Isagen, Reuters reported. The government privatized the generator and sold its majority stake in January to Brookfield Asset Management. Following the sale, a citizen group dedicated to advocacy for public resources accused Cárdenas of illegally selling the company. The ministry said it has not yet formally informed Cardenas of the investigation.

Peru Electoral Board Keeps Guzmán in Race

A special electoral board in Peru on Wednesday ruled that presidential hopeful Julio Guzmán would be included in the April elections, Reuters reported. Peru's National Jury of Elections had previously blocked Guzmán's party from the elections, saying his centrist party had broken technical rules. The block had put Guzmán in danger of disqualification from the race, but the Special Jury of Elections said his party had amended the errors.

Brazilian Senate Loosens Petrobras' Control of Offshore Subsalt Polygon

Brazil's Senate on Wednesday passed a bill to loosen state-run oil company Petrobras' grip on some of the country's most promising offshore oil resources, in an effort to boost the oil sector, Reuters reported. The bill ends the requirement that Petrobras operate all new developments in the offshore region known as the Subsalt Polygon and provide at least 30 percent investment. The lower house and President Dilma Rousseff must also approve the measure in order for it to come into force.

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ber, Macri met with Nisman's two daughters and pledged to deliver justice to the family.

BUSINESS NEWS

Mexico's Televisa Reports 37 Percent Fall in Q4 Profit

Mexican broadcaster Grupo Televisa said Thursday that its profit for the fourth quarter declined 37 percent due to increasing costs and weakness in advertising, Reuters reported. Net profit for the quarter amounted to 1.571 billion pesos ($91 million), as compared to 2.504 billion pesos in the same quarter a year earlier. The Mexico City-based company said advertising sales declined 11 percent in the final quarter of 2015. Televisa has faced

Advertising sales fell 11 percent in the fourth quarter, Televisa said.

increasing competition as many viewers have been turning away from broadcast channels in order to watch content in other ways, such as on pay television and online, Reuters reported. Televisa's telecoms unit, which includes pay television, is the company's fastest-growing segment. That unit's operating income increased by more than 20 percent in the fourth quarter.

Brazilian Police Raid Steelmaker Gerdau

Brazilian federal police raided steelmaker Gerdau's offices Thursday and summoned its CEO, André Gerdau Johannpeter, to testify, alleging the company evaded $380 million in taxes, Reuters reported. Gerdau Johannpeter said he would appear voluntarily rather than be arrested, a federal police spokesperson said. The CEO is one of 22 individuals the police had ordered to testify on the case. The raid was part of "Operation Zealots," in which officials are investigating possible kickbacks companies gave through lobbyists to tax officials in exchange for waving tax debts and fines. Operation Zealot is part of a larger trend emerging in Brazil in which prosecutors are more aggressively cracking down on corruption in some of the country's biggest companies. Gerdau is cooperating with police and denies wrongdoing, saying it had legally hired external experts for technical advice, but had not engaged in a tax evasion scheme. In addition to Operation Zealots, which is investigating suspected corruption at dozens of companies, Brazil has also been rocked by the fallout of the "Carwash" scandal, the corruption probe into state-run oil company Petrobras, which has implicated many politicians and construction companies. Prosecutors told Reuters they were inspired by the Carwash probe to crack down on rampant corporate corruption. "For the first time important executives who were jailed stayed in jail," said Silvio Luís Martins de Oliveira, a São Paulo-based prosecutor.

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political reasons, via the promise of wealth through lithium and battery development. It has been the same story since 2009, but there has been no progress. The country distrusts many foreign partners it needs to develop its lithium sector; this is historical, stemming from its history with copper and Chile. This is a huge barrier to overcome if it will begin producing lithium, but it has the world's biggest brine resource, so there is always interest, both domestic and foreign. While there are other promising hotspots for lithium demand—aluminum, lithium alloys and cement—batteries will dominate the volume and the growth in the lithium market for at least the next 5 years. The ability to store intermittent solar power in lithium ion batteries at a low cost could be a game changer for the utility sector and the way we use energy. This shift should have a direct benefit to Latin American economics, as Chile is the lowest cost producer of lithium in the world, Argentina is also a significant producer and both have an abundance of lithium resources with the knowhow to extract the mineral economically. "

"Increased demand for lithium would be a positive factor on all three countries."

– Simon Moores

Chris Berry, founder of House Mountain Partners: "The forecasts for lithium demand—a compound annual growth rate of 8 to 10 percent per year to 2025—should be uniformly positive for these countries, specifically Chile and Argentina. In Argentina in particular, where a 5 percent tax on mining was recently revoked by the new Macri administration, market-friendly moves like these should benefit all companies involved in mining, regardless of the metal and regardless of the status of the company, be it as explorer, developer or producer. In Chile, Albemarle, the number one producer of lithium compounds in the world, reportedly plans to invest roughly $500 million in expanding its lithium production capacity in Chile from 24,000 metric tons per year to 70,000 metric tons per year in the coming years. The promise of lithium in Bolivia is well known, but the threat of resource nationalism has scared investors and companies away for many years. Growth in lithium is specifically tied to vehicle electrification and energy storage. At current growth rates, lithium used in lithium ion batteries will account for well over 60 percent of total lithium demand by 2025, up from 35 percent today. No other source is growing anywhere near as fast.

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These growth rates are bolstered by the fact that the price of lithium ion batteries has fallen by 14 percent per year since 2006, and will continue to fall. I do think in the next five to seven years, lithium will become the most dominant clean energy source, though petroleum will never completely be replaced. However, energy technologies and battery technologies are advancing at such a rapid pace that the current optimal battery chemistry today may not be the optimal chemistry in the future. This means we may need more lithium or less lithium for transportation. At current prices, a shift in demand for lithium would likely have a minimal effect on Latin American economies overall. The global lithium industry is only worth about $1 billion per year. Prices have spiked recently, but I view this as unsustainable, and prices will fall in the next 18 months to a lower, more sustainable level."

William Tahil, research director at Meridian International Research: "It has taken 10 years to increase global lithium production by 50 percent, despite the need for EVs and consumer electronics growth. The fact of the matter is that electric vehicle, or EV, production is constrained by the inability of the mining industry to increase lithium production by the huge amount needed. The entire lithium ion battery industry now uses 10,000 metric tons of lithium per year—3,300 metric tons of that for plug-in cars. How many plug in cars? About 300,000. So what would only one million EVs need? All of the rest of the lithium used by the entire portable battery sector today, which is itself growing at over 10 percent per year. Supply cannot possibly keep up with potential demand, so lithium is a non-starter for mass market EVs. That is why EV production is so low: there isn't enough lithium and that is why a different battery technology must be used. Bolivia has been talking about lithium for decades—even now, 10 years into the 'EV Revolution,' with an ever-growing demand for portable devices, meaningful production has not started. Operations at the Salar de Atacama may have already extracted a large percentage of the best part of the reserves, and overall, resources are grossly exaggerated. Argentina can only make a modest contribution. In short, the hype about lithium is overblown. Alternatives will have to be found."

> **"The hype about lithium is overblown."**
>
> **– William Tahil**

David S. Abraham, director of the Technology, Rare and Electronic Materials Center at the Institute for the Analysis of Global Security: "Lithium will not replace oil. No one metal will replace it. The internal combustion vehicle needs to be transformed entirely as it switches from fossil fuels. Lithium, while critical, is but only one of a myriad of metals that will power our vehicles. Batteries need cobalt or rare earth elements, and the electric vehicle in its entirety requires other critical metals, so it's not a clean switch from oil to lithium. Lithium will provide much-needed income Latin American countries, but the size of these operations will be smaller than other major mining operations, and therefore far less transformative than, say, copper was to Chile. Total sales of lithium salts only reached $1 billion last year—copper exports from Chile have reached over $40 billion. While the lithium market will continue to grow and prices may well soon rise, it will take a major transformation of our markets to see lithium compete with oil."

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

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

THEDIALOGUE

Michael Shifter, President
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1211 Connecticut Avenue NW, Suite 510
Washington, DC 20036

Phone: 202-822-9002
Fax: 202-822-9553

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Subscription Inquiries are welcomed at freetrial@thedialogue.org

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