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FEATURED Q&A

Can South America Capitalize on Its Lithium Reserves?



Bolivia's Salar de Uyuni salt flat contains exceptionally rich deposits of lithium, a metal that could become increasingly valuable if substitutes are not found to produce advanced batteries. // File Photo: Luca Galiuzzi via CC license.

Q Bolivia announced a major lithium deal on Feb. 6, picking China's Xinjiang TBEA group to take a 49 percent stake in a \$2.3 billion lithium project with YLB, the state lithium company. Meanwhile, a delegation from a consortium of Indian state-owned companies recently visited South America's "lithium triangle" spanning Chile, Argentina and Bolivia to explore opportunities in exploiting the resource, which is expected to be in increasingly high demand for uses such as electric vehicle batteries. Lithium investment was also reportedly on the agenda when Argentine President Mauricio Macri visited India this month. How well are the South American countries engaging international investors in their lithium development strategies? Are there ways the three nations could collaborate on the metal's development as opposed to competing? Which global players are best positioned to gain the upper hand in exploiting South America's lithium deposits?

A William Tahil, research director at Meridian International Research: "China's rise to dominance of the entire lithium battery supply chain has been unrelenting. The list of takeovers and investments is unending. Everywhere there's lithium, there's China. China's ambassador to Bolivia said at the signing of the TBEA agreement that China will need 800,000 metric tons of lithium (carbonate) per year by 2025 for its car industry—roughly four times current global production. CATL and BYD are now the number two and three battery manufacturers in the world, and they're expanding continuously. Following the TBEA announcement, Tianqi recently finalized a 25 percent

Continued on page 3

TODAY'S NEWS

POLITICAL

House Passes Bill Blocking Trump's Mexico Wall

Democrats in the U.S. lower house passed a measure aimed at blocking President Donald Trump's bid for extra money to build more walls on the Mexico border.

Page 2

ECONOMIC

Brazil Senate Advances Campos Neto as Central Bank Chief

Roberto Campos Neto, Brazilian President Jair Bolsonaro's nominee to head the central bank, won the upper chamber's confirmation in a vote of 55 to 6, with one abstention.

Page 2

POLITICAL

Russia, China Say U.S. Should Stay Out of Venezuela

Russian Foreign Minister Sergei Lavrov said Tuesday that the United States should "listen to what the countries in the region think" and restrain from military intervention in Venezuela.

Page 2



Lavrov // File Photo: U.S. Government.

POLITICAL NEWS

Democrats in U.S. Congress Defend IACHR Funding

Leading Democrats in the U.S. Congress on Tuesday called on Secretary of State Mike Pompeo to maintain “robust funding” for the Inter-American Commission on Human Rights, or IACHR, in response to reports that the administration of President Donald Trump is considering withdrawing public funds for the commission. “Cutting or eliminating funding for the commission at this crucial moment would derail its crucial human rights monitoring processes in countries like Nicaragua and Venezuela,” wrote the lawmakers. “The United States cannot take a back seat when it comes to human rights violations in our own neighborhood.” The letter was initiated by Rep. Eliot L. Engel (N.Y.), Rep. Albio Sires (N.J.), Sen. Bob Menendez (N.J.) and Sen. Ben Cardin (Md.). In December, nine Republican U.S. senators—including several seen to have considerable sway with the Trump administration, such as Ted Cruz (Tex.)—sent a letter to Pompeo demanding an end to U.S. funding to the IACHR. They say the group has promoted abortion policies in Latin America, in violation of the Siljander amendment to the Foreign Assistance and Related Programs Appropriations Act of 1981, according to a copy of the letter posted online.

U.S. House Advances Bill Blocking Trump Border Emergency

Democrats in the U.S. House of Representatives on Tuesday passed a measure aimed at blocking President Donald Trump’s bid for extra money to build more wall-like structures on the U.S. border with Mexico, the Associated Press reported. The House’s 245-182 vote to reverse Trump’s national emergency declaration fell below the two-thirds majority that would be needed to override his promised veto, however.

Thirteen Republicans backed the Democrats’ resolution in the House. In the Republican-held Senate, enough GOP defections could bring the measure to the cusp of passage, according to the report, likely leading to Trump’s first veto. Senate Majority Leader Mitch McConnell (R-Ky.) plans to hold a vote within the next three weeks. In a letter to lawmakers, the White House has said blocking the emergency declaration would “undermine the administration’s ability to respond effectively to the ongoing crisis at the Southern Border.” In related news, Rep. Ted Deutch (D-Fla.) has released data revealing more than 4,500 complaints of sexual abuse against migrant children who were detained in the United States from 2014 to 2018, BBC News reported today. The Department of Justice received an additional 1,303 sex abuse complaints related to unaccompanied minors during the same period. At least 154 of the claims are against facility staff members. “This works out, on average, to one sexual assault ... on an unaccompanied minor, per week,” Deutch said. The allegations implicate contractors who are paid by the U.S. Department of Health and Human Services, or HHS, to run the underage migrant detention facilities. Caitlin Oakley, an HHS spokeswoman, said the shelters are run by childcare service centers that are licensed by state-level officials as opposed to federal.

ECONOMIC NEWS

Brazil Senate Gives Nod to Campos Neto as Central Bank Chief

Brazil’s Senate on Tuesday night approved Roberto Campos Neto as the country’s new central bank chief, Globo reported. President Jair Bolsonaro’s nominee to head the central bank won the chamber’s confirmation in a vote of 55 to 6, with one abstention. During his confirmation hearing, Campos Neto told senators that he backed Bolsonaro’s plan to shrink the size of the federal government and also defended the autonomy of the central bank. He added that Brazil’s banking system is no more

NEWS BRIEFS

Russia, China Advise Against U.S. Military Involvement in Venezuela

Russian Foreign Minister Sergei Lavrov said Tuesday that the United States should “listen to what the countries in the region think” and restrain from military intervention in the wake of last weekend’s failed opposition-led attempts to bring international humanitarian aid into Venezuela, Agence France-Presse reported. China, which is one of Venezuela’s main creditors, has maintained a stance of neutrality. “The nature of the Venezuela problem is Venezuela’s internal affairs,” Chinese Foreign Minister Wang Yi said Tuesday.

Mexico Retail Sales Fall Most in Five Years in Dec.

Mexico’s retail sales declined 3.2 percent in December as compared to November, the largest such drop in more than five years, according to data released Tuesday by the country’s national statistics agency, INEGI, Reuters reported. “The main engine of Mexico’s economy—private consumption on the demand side and services on the supply side—is losing trust at an alarming pace,” Goldman Sachs economist Alberto Ramos said in a research note after the data’s release.

Pan-American Life Sees Lower Net Income Despite Higher Revenue, Earnings

New Orleans-based Pan-American Life Insurance Group, or PALIG, said Tuesday that its revenues exceeded \$1.1 billion in 2018, a 3 percent increase over the year before. Pre-tax operating earnings increased 6 percent to a record \$93 million. However, net income last year decreased 5 percent to \$73 million, due to unrealized investment losses stemming from rising interest rates. PALIG operates in eight Latin American countries as well as 13 Caribbean markets and the United States.

“concentrated” than those of other developed countries, noting that Brazil’s banks are competitive. Campos Neto has also said the country needs fiscal discipline and must control inflation, Bloomberg News reported. During the confirmation hearing, Campos Neto said Brazil should continue opening capital markets to both domestic and foreign investors, Reuters reported. Campos Neto’s grandfather was an economist and, as Brazil’s planning minister in 1964, signed the decree to create the central bank. The future bank chief has indicated that he will not significantly change the country’s monetary policy and has echoed the bank’s current position that decisions should be based on “caution, serenity and perseverance,” Reuters reported. A former head of treasury services at Banco Santander Brasil, Campos Neto would become central bank chairman upon Bolsonaro’s final approval, which is expected later this week. Campos Neto was trained at the University of California and has spent his career working in banking and market trading.

BUSINESS NEWS

Greenpeace Targets Shale Production in Argentina

More than 40 activists with Greenpeace Argentina on Tuesday blocked access to a waste site used by companies that extract oil and gas from the country’s Vaca Muerta shale formation, the environmental group said in a statement. Shell, Total, YPF and other companies use the site to dispose of waste from fracking in Vaca Muerta, Greenpeace said, adding that nearby agricultural fields and the Neuquén River could be contaminated by the waste. “We are here to denounce and expose, once again, the negligence and lack of control with which the oil industry operates,” Leonel Mingo, a member of Greenpeace’s climate and energy program, said in a statement. The group said illegal practices were happening at the site, which is operated by local waste treatment company Treater. Reuters was unable to

reach Treater for comment. YPF, which has the largest investment in the Vaca Muerta formation, told the wire service that the protest did not affect its facilities or activities.

Ecopetrol Reports Higher Profits

Colombian state oil company Ecopetrol on Tuesday announced a net profit of 11.55 trillion pesos (\$3.72 billion) for 2018, its highest level in five years and a 74.6 percent increase from 2017. “Despite attacks and operational events, we met the production goal of 720,000 barrels” per day of oil equivalent, Ecopetrol said in a tweet. The company’s profit soared last year as a result of “capital discipline and an efficiency

plan,” Chief Executive Officer Felipe Bayón told regulators, Reuters reported. The company’s earnings before interest, taxes, depreciation and amortization, or EBITDA, rose to 30.8 trillion pesos last year, a 33.5 percent increase as compared to 2017. Ecopetrol also prepaid approximately \$2.5 billion worth of debt last year, leaving it with debts of \$12.1 billion at the end of the year. For this year, the company said it plans to invest between \$3.5 billion and \$4 billion, more than the amount it spent last year, as part of its plan to increase output and replenish its shrinking reserves. Last November, Ecopetrol said it is planning to focus 80 percent of its investment in the coming year in upstream projects, primarily in Colombia. The rest will be spent in locations including Brazil, Mexico and the United States.

FEATURED Q&A / Continued from page 1

stake in SQM for \$4.1 billion. This gives China access to the highest-quality deposit in the world, Salar de Atacama. Ganfeng went from zero in 2014 to 25 percent global market share for battery grade lithium hydroxide and nearly 20 percent of the lithium carbonate. How can other countries such as India possibly catch up against the strategic onslaught of China Inc.? For China, lithium is but one small tranche of the global ‘Belt and Road’ program. In terms of collaboration

China alone. If the rest of the world wants to have access to significant numbers of electric vehicles at all in 2030, alternatives to lithium need to be prioritized.”

A **Juan Carlos Zuleta, Bolivia-based lithium economics analyst:** “There is another key actor in the Bolivian lithium

spectrum today: Germany’s ACI Systems. This relatively fresh company is expected to produce up to 40,000 tons of lithium hydroxide from residual brine at Salar de Uyuni between 2021-22. I have my reservations as to its real capacity, both technical and financial, to undertake this task. As disadvantageous as it might be to Bolivia, the new mixed company YLB-ACI Systems has received the government’s blessing. Although it’s too early to conclude whether the joint venture will be capable of fulfilling its promises, it is undoubtedly Bolivia’s first serious attempt to incorporate itself into the booming lithium market. The pre-agreement signed with Xinjiang TBEA Group has the same global investment as with ACI Systems, albeit this time the center of operation would be two smaller salt pans with much

Continued on page 4

“**How can other countries such as India possibly catch up against the strategic onslaught of China Inc.?”**

— William Tahil

between Argentina, Chile and Bolivia, a de facto lithium ‘OPEC’ may well be foreseeable—all in Chinese hands—as OLEC, or the Organization of Lithium Exports to China. Half of the worldwide investment in electric vehicles by the automotive industry is for

FEATURED Q&A / Continued from page 3

less lithium content than Salar de Uyuni. It seems that India is a bit late to accomplish anything significant in Bolivia and Argentina. There doesn't seem to be much lithium left there for late-comers. Hence Chile appears the best option available for India, despite all the legal hurdles that still constitute major obstacles to lithium development there. Argentina is following an open-market strategy, where its government has little say, and foreign companies are basically defining

“There doesn't seem to be much lithium left for late-comers.”

— Juan Carlos Zuleta

the major courses of action. The involvement of Bolivia's government seems to be a formation of mixed companies with foreign investors, although not necessarily for valid reasons or the benefit of the country. Chile has managed to negotiate onerous royalties with Albemarle and SQM, taking advantage of its relatively richer lithium resources. I would suggest the countries concentrate efforts in development and implementation of new technologies to extract lithium from brine, going beyond use of solar evaporation ponds focusing in rapid evaporation, desalination and advanced chemical methods. Both Albemarle and SQM in Chile remain the best-positioned global players in South America, though we should be vigilant as to what South Korea's Posco can accomplish in the following years in Argentina, with its revolutionary chemical technique to extract lithium from brine with no use of traditional solar evaporation ponds.”

A David Merriman, manager of battery & electric vehicles materials at Roskill Information Services: “South American countries, principally Chile, Argentina and Bolivia, have had varying success in attracting international investment. The enforce-

ment of lithium production licenses in Chile, previously the largest producer of lithium in the world, and increasing involvement of Chilean state-owned company Corfo has restricted the development of new projects in the country and dissuaded international investors. Alternatively, Argentina has attracted significant investment in lithium projects from the international community, with Japanese, Korean, French and Canadian companies developing lithium projects in the Argentine Puna. The recent investment in Bolivia by China's Xinjiang TBEA group is not the first international involvement the Bolivian government has sought to develop lithium brine deposits in the country. Bolivia signed a preliminary agreement with Posco and Kores in 2012 to develop the Salar de Uyuni and construct lithium-ion battery components in the country. Later agreements with China-based Linyi Gelon New Battery Materials and CITIC Group have also attempted to develop lithium resources in Bolivia with limited success. The varied nature of the lithium brine deposits within a country, let alone throughout the 'lithium triangle' encompassing Chile, Argentina and Bolivia, make it difficult for collaboration between the countries. Other factors, including the disparity in the current market position of the three countries, governmental differences, existing foreign investments and increasingly nationalistic sentiments regarding battery raw materials would also be barriers to cooperation. The development of methods to process high Mg:Li brine deposits in Western China could potentially be translated into greater success for Xinjiang TBEA group when processing brines at the Salar de Uyuni, Salar de Coipasa and Pastos Grandes salt pans. It is unclear, however, if Xinjiang TBEA Group will have access to this technical knowledge. Though Bolivia holds very large resources of lithium in brine deposits, difficulties with brine chemistry, local infrastructure, climate and government involvement are expected to remain significant barriers to entry for large-scale lithium production in the country.”

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