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FEATURED Q&A

Can Peru's Military End Illegal Mining in the Amazon?



Peruvian Minister of Defense José Huerta Torres last week deployed 100 troops to "La Pampa" in Madre de Dios to support national police in deterring illegal mining activity. // Photo: Peruvian Government.

Q Peruvian officials have inaugurated the first of four military bases where soldiers will use drones and satellite images to protect the Amazon from illegal mining and other criminal activity. How big of a problem do the new units face, and is this the sort of activity the military should be undertaking? What are the costs and benefits of using technologies such as these to fight crime in the vast Amazon region?

A Thomas Dolzall, defense analyst at Forecast International: "The Peruvian government's dramatic decision to deploy military forces to regions of the Amazon under the banner of the 'Mercurio 2019' operation reflects the immense scale and daunting complexity of the illegal mining trade and the inability of traditional law-enforcement mechanisms to meaningfully stem the tide of these environmentally damaging activities. The infusion of military hardware and technology into the countermine campaign, particularly with regards to unmanned aerial vehicles and specialized surveillance systems, will facilitate the government's ability to monitor for and promptly respond to individual illegal operations across the vast spaces of the Amazon, as well as develop a more comprehensive understanding of the scale and patterns that govern the illegal industry over time. Nevertheless, the overall scale of the problem remains daunting. Despite the unquestionable operational advantages provided by the provision of military surveillance systems, it is unclear whether the role of the armed forces will be meaningfully distinct or meaningfully more effective than the traditional foot-policing of the country's embattled law enforcement

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Venezuela Power Crisis Could Affect Oil Markets: IEA

Continued problems with Venezuela's power grid could trigger "serious disruption" to the global oil market, the Paris-based International Energy Agency warned in a report today.

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ECONOMIC

Argentine Central Bank Chief Aims to Curb Inflation

Guido Sandleris promised to take more steps to fight inflation as new data showed consumer prices accelerated faster than expected in February.

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POLITICAL

Nicaragua Peace Talks to Resume With OAS Joining

Businessman Mario Arana, a negotiating member of the opposition-led Civic Alliance, said President Daniel Ortega's government no longer has excuses to refuse the release of hundreds of political prisoners apprehended last year.

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Arana // File Photo: Nicaraguan Government.

ECONOMIC NEWS

Venezuela Power Crisis Could Affect Oil Markets: IEA

Continued problems with Venezuela's power grid could trigger "serious disruption" to the global oil market, the Paris-based International Energy Agency (IEA) warned in a report released today, CNBC reported. A nationwide power outage that led to sporadic darkness for most of last week has been resolved, for now, but its repercussions linger. "Although there are signs that the situation is improving, the degradation of the power system is such

Saudi Arabia could step in to help make up for lost Venezuelan crude.

that we cannot be sure if the fixes are durable," the report said. Since March 7, the sporadic power outage seriously disrupted industrial operations, leading to "ongoing losses on a significant scale" that "could present a challenge to the market," the report said. The outage crippled the OPEC member country's oil exports and left millions of citizens struggling to find food and water. Until recently, the IEA said Venezuela's oil production had stabilized at around 1.2 million barrels per day (bpd). The IEA added that Saudi Arabia could step in to help make up for lost Venezuelan crude supply on the global market. Due to recent production cuts aimed at boosting prices, OPEC members hold approximately 2.8 million bpd of effective spare production capacity, with Saudi Arabia accounting for two-thirds of it. The United States and its allies have been asking the international community to pressure President Nicolás Maduro to leave office, or at least to hold legitimate elections. Venezuela's opposition leader and constitutional interim president, Juan Guaidó, has dismissed Maduro's allega-

tions that he sabotaged the country's electrical system. He told the BBC Thursday that he had the backing of the people and would to push for "genuinely free elections." Meanwhile, the United States continues to roll out sanctions aimed at choking the flow of dollars into the already ravaged economy. A senior official told Reuters this week that the United States might prohibit Visa, Mastercard and other financial institutions, such as SWIFT, from processing some transactions in Venezuela. If the move is finalized, it would target corrupt elite and groups loyal to Maduro, including members of the military, armed gangs and Cubans operating in Venezuela. The sanctions would not affect ordinary citizens, who would still be allowed to use the payment methods to buy food and medicine, according to the report. On Capitol Hill, Rep. Donna Shalala (D-Fla.) said Thursday that her bill prohibiting arms exports to Venezuela had passed in a key committee and would move to the House floor for a vote. The Venezuela Arms Restriction Act of 2019 will prohibit the export of defense articles and crime control materials from the United States to Maduro's security forces.

Argentine Central Bank Pledges to Act

Argentina's central bank chief on Thursday promised to take more steps to fight inflation as new data showed consumer prices accelerated faster than expected in February, Reuters reported. Guido Sandleris said he would extend the bank's goal of zero growth in the monetary base to the end of 2019 but would not freeze the exchange rate as a measure to lower inflation. He added that a non-intervention trading band for the peso, agreed to with the International Monetary Fund last year, would be tweaked so it depreciates more gradually than the current track, according to the report. Argentina's consumer price index rose 3.8 percent in February, month-over-month, a rate faster than market analysts expected. The annual inflation rate accelerated to a new cyclical high at 51.3 percent in February, up from 47.6 percent at the end of 2018 and 24.8 percent at the end of 2017, according to the

NEWS BRIEFS

Brazil, U.S. to Sign Nuclear Energy Accord Next Week

Brazilian Energy Minister Bento Albuquerque said Thursday his country plans to sign an accord next week with the United States that would pave the way for U.S. companies to explore for uranium and invest in new nuclear-power plants in Brazil, Bloomberg News reported. Albuquerque, a former admiral who once ran the Brazilian Navy's atomic program, told the news service that he had discussed nuclear cooperation with U.S. Energy Secretary Rick Perry in Houston this week.

Human Rights Body Denies Assange Complaint Over Ecuador's Treatment

The Washington-based Inter-American Commission on Human Rights said Thursday it has turned down a request by WikiLeaks founder Julian Assange that Ecuador, which has sheltered him for more than six years at its embassy in London, ease the conditions it has imposed on his residence there, Reuters reported. Assange's complaint said Ecuador is seeking to end his asylum and has put pressure on him to leave by requiring him to pay for his medical bills and phone calls, as well as clean up after his pet cat.

Chile's SQM Receives Nod for Lithium Expansion

Chilean lithium miner SQM on Thursday received environmental approval for its \$400 million plan to expand its lithium carbonate production facility, Reuters reported. Once complete, the expansion would allow the Chinese-backed SQM to eventually produce as much as 180,000 metric tons of lithium carbonate a year from its Atacama salt flat operations in Chile. China has become a significant player in the South America's lithium boom. [Editor's note: See related [Q&A](#) in the Feb. 27 issue of the Advisor.]

latest data from state statistics agency INDEC. “The annual inflation rate is likely to accelerate further in March,” Goldman Sachs economist Alberto Ramos told clients in a research note Thursday. Argentina’s current macro-financial backdrop “demands the utmost caution in the near-term calibration of interest rate policy,” Ramos added.

POLITICAL

Nicaragua Peace Talks to Resume With OAS Involved

Nicaragua’s opposition-led Civic Alliance on Thursday said the Organization of American States had agreed to formally join talks with the government of President Daniel Ortega to end a nearly year-long political crisis, *La Prensa* reported. José H. Pallais, a spokesman for the Civic Alliance, said the OAS’ involvement would help “guarantee the process.” Luis Ángel Rosadilla has been present at the talks in Managua since Monday as a special envoy of the OAS, charged with observing the dialogue with an eye toward the eventual participation of the OAS General Secretariat in the process. More than 300 people died in months of violent protests against Ortega’s government that broke out last April. Mario Arana, president of the American Chamber of Commerce in Nicaragua, who is also a negotiating member of the Civic Alliance, told journalists Thursday that Ortega’s government no longer has excuses to refuse the release of hundreds of political prisoners apprehended last year. “The release of political prisoners is decisive for the smooth running of the negotiation process with the government,” he said. Ortega’s government announced last Saturday in a statement it would consider releasing the prisoners, something it previously refused to do, accusing them of crimes such as terrorism and coup-plotting. Prior to the statement, the Civic Alliance had withdrawn from the negotiations, which re-started Feb. 27 after months of deadlock. [Editor’s note: See related Q&A in the Feb. 28 issue of the Advisor.]

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personnel. The overall scale of the military’s deployment, which at the time of writing consists of the establishment of four bases stationing 100 active-duty military personnel and a small pool prosecutorial staff, represents a small figure when weighed against both the geographic scale of the problem and the number of uniformed police personnel also committed to the task. The practice of militarized policing has a controversial reputation across Latin America, and in the areas designated under the state of emergency, frictions may begin to emerge over time in the areas between security personnel tasked with the aggressive closure of mining operations and the local communities into which these industries have become enmeshed. As with similar efforts across the region to combat the illegal narcotics trade with military forces, the Peruvian military’s Amazon protection force is likely to achieve a certain level of operational success in the near term, but the fundamental drivers of the wider problem are unlikely to ever be resolved with military force.”

A **Pablo de la Flor, executive director of Sociedad Nacional de Minería, Petróleo y Energía (SNMPE) in Lima:** “The government’s recent decision to mobilize 1,500 members of the armed forces and the national police to eradicate illegal mining in Madre de Dios is an important step in the right direction. In recent decades, this region of Peru has suffered the onslaught of illegal miners whose illegal activity has caused the destruction of almost 100,000 hectares of forest—reaching a record deforestation of 10,000 hectares just in 2017 in the area surrounding the Tambopata National Reserve. Additionally, the dumping of mercury in rivers by the more than 30,000 illegal miners operating in the region constitutes a true ecological disaster. According to the Carnegie Institution, more than 60 percent of fish species sold in the markets of Puerto Maldonado—the region’s capital—contain

mercury above the maximum allowable levels. Seventy-eight percent of the adult population registers concentrations of this metal above the reference limits. As if that were not enough, illegal mining is directly linked to the trafficking of persons, prostitution and child labor. In the past, the government has tried to eradicate illegal mining with specific operations, but they regrettably resumed afterwards. The interesting thing about this latest intervention is the government’s decision to maintain a permanent presence in the area to prevent illegal miners from returning to occupy the space. This is a major challenge, considering that the resources and power that such illegal networks have can surpass even those of drug trafficking. In the long term, the solution to the problem is to promote more expeditious formalization mechanisms for those who are willing to carry out their activities in compliance with regulations, outside the protected areas and with extractive methods that avoid the use of mercury and that guarantee full respect of the environment. In addition, the government should undertake the difficult task of promoting alternative productive activities outside protected areas.”

A **Rafael Saliés, Latin America risk advisory consultant:** “Illegal mining is just one of the major issues the Peruvian Army will deal with on the country’s Amazonian border regions. In addition to mining, illegal logging is also a major activity. Together these activities directly employ tens of thousands of people and indirectly provide services to and supply other illegal corollary activities (prostitution, gambling, arms trafficking and money laundering, among others). Four military bases in the short term (within less than five years) are not going to stop the illegal activities that drive local economies. We are likely to see a balloon effect as criminals move from one area to another, ahead of the local authorities. Having said that, the deployment of the Peruvian army is the only

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recourse, given the logistical and operational challenges of patrolling and monitoring the region. Modern technologies, which tend to be available only to the armed forces, help overcome some of those challenges. They do not perform miracles, though, and they also suffer from local conditions. Throughout South America's Amazon, national armed forces are the only institutions with the minimum capacity necessary to operate efficiently and coordinate with peers across borders (which is absolutely crucial). While more long-term means exist—such as investigating and arresting the networks that move illegal gold, lumber and other products—deploying the local armed forces seems to be the only option available to stop environmental damage immediately.”

A **Gisselle Vila Benites, PhD**
candidate in geography at
the University of Melbourne:

“Between 2014 and 2017, the Peruvian government invested around \$49 million to conduct 236 operations to eradicate the illegal extraction of minerals. Almost half of those interventions happened in Madre de Dios. Nevertheless, mining op-

erations in this highly biodiverse region have not ceased to expand. A punitive response alone is not enough to control the illegal expansion of this activity. Unlike previous operations, ‘Mercurio 2019’ aims to develop an integrated approach to deliver state services that have been lacking in the region for a long time. The presence of police forces should serve this more important goal. La Pampa became an important economic and migratory node in the Amazon, which activated local markets. While it cannot be said that it translated into improving the well-being of the population, it brought cash to poor households. Those that fled from state officers will most likely continue to mine along the river basin, unless they are offered alternatives to mining or a feasible mining formalization process. Police forces can also assist in developing a sophisticated intelligence research unit to track the gold supply chain and gold allocation to local markets. Satellite images and drones can detect where mining is happening, but not who is funding and profiting from it. The 80 people detained in La Pampa during the past two months are hardly handling cash for the illegal gold extraction.”

Event Notice

Buying Votes and Lining Pockets: Venezuela's Petro-Diplomacy

Tuesday, March 19
9:00 - 11:00 a.m.

Inter-American Dialogue
1155 15th St. NW, Suite 800
Washington, D.C.

To register or view the agenda, click [here](#)

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