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FEATURED Q&A

Can Lithium Boost Latin America's Economic Rebound?



Much of the world's lithium comes from South America. A lithium resource in Chile is pictured above. // File Photo: Chilean Government.

Q The so-called Lithium Triangle—Argentina, Bolivia and Chile—is the backbone of the metal's supply chain and will play a key role in coming years as demand for lithium from the electric vehicles sector is expected to grow, panelists said during the Lithium & Supply Markets conference in October. What is the current state of lithium production and investment in South America amid the Covid-19 pandemic, and has the recent sharp drop in lithium prices changed development plans? What can governments in the three nations do to best take advantage of the countries' lithium deposits, and where are future investments likely to come from? What regulations specific to each country might ensure the Lithium Triangle is exploited as sustainably as possible?

A Patricia I. Vásquez, research associate at the Center of Conflict, Development and Peacebuilding of the Graduate Institute of Geneva: "Chile and Argentina are the world's second- and fourth-largest lithium producers, respectively, and Bolivia holds the world's largest lithium resources that have yet to be commercially developed. That places the Lithium Triangle in a unique position to take advantage of the expected boom in the electrification of vehicles operated by lithium-ion batteries. The pandemic caused a drop in lithium demand globally, and it negatively affected production and planned investments in the Lithium Triangle. But interest in the high-quality lithium carbonate from South America's brines remains intact and could be instrumental for the region's post-Covid-19 economic recovery. Lithium Triangle countries could turn the current pandemic-generated

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TODAY'S NEWS

POLITICAL

Morales Returns to Bolivia After Arce Takes Office

Former Bolivian President Evo Morales, who had been living in self-imposed exile for a year, returned to Bolivia after Luis Arce, a member of his party, took office as president.

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BUSINESS

Brazil Halts Trial of Sinovac's Covid-19 Vaccine

Brazil has halted final-stage trials of the potential Covid-19 vaccine manufactured by China's Sinovac due to an adverse reaction reported in late October.

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POLITICAL

Peru's Congress Ousts President

Amid anger over his handling of the coronavirus pandemic and unproven corruption allegations, Peru's Congress removed President Martín Vizcarra from office. Vizcarra, who took office in 2018, had clashed with lawmakers over political and judicial reforms in the Andean nation.

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Vizcarra // Photo: Peruvian Government.

POLITICAL NEWS

Peru's Congress Removes President Vizcarra From Office

Peru's Congress on Monday overwhelmingly voted to remove President Martín Vizcarra from office, a move that came amid anger over his handling of the Covid-19 pandemic and alleged, though unproven, allegations of corruption, *El Comercio* reported. In the country's unicameral Congress, 105 legislators voted to oust Vizcarra, far more than the 87 required. In a statement after the vote, Vizcarra said that "without agreeing" with the vote, he accepted it and would not file legal challenges to remain in office. "Today I am leaving the government palace, today I am going home, despite the fact that there are innumerable recommendations for us to act through legal actions to block this decision." Many legislators said they were casting their votes to oust Vizcarra in the name of loved ones who have died of Covid-19, the Associated Press reported. "Because of his negligence and incapacity, we've lost thousands of compatriots," lawmaker Robinson Gupioc said during five hours of debate in Congress. Peru has the world's highest per capita mortality rate from Covid-19. The country has more than 922,000 confirmed cases of the disease and more than 34,000 reported deaths from it, according to a tally by Johns Hopkins University. Vizcarra's ouster came just weeks after he survived another vote to remove him from office. After Monday's vote, thousands of people gathered on the streets of Lima to denounce lawmakers' removal of the president. "Get out the coup plotters!" some chanted, the AP reported. Legislators introduced the impeachment proceedings on allegations that Vizcarra received more than \$630,000 in exchange for his approval of two construction projects while he was serving as governor of the small Moquegua department in southern Peru between 2011 and 2014. The allegations have been under investigation, but Vizcarra has denied wrongdoing, and his supporters have questioned the claims, noting that they came

from construction managers who are themselves accused of graft and who could face lighter sentences in exchange for information. The vote to remove Vizcarra also came amid a standoff between Vizcarra over his political and judicial reforms, *The New York Times* reported. Vizcarra took office in March 2018 after his predecessor, Pedro Pablo Kuczynski, resigned amid corruption allegations and impeachment proceedings. Under Peru's Constitution, the president of Congress, opposition legislator and businessman Manuel Merino, is in line to replace Vizcarra as interim president and is to serve until Vizcarra's term was to end next July. Merino is to be sworn in as president today, *Bloomberg News* reported.

Morales Returns to Bolivia After Arce's Inauguration

Former Bolivian President Evo Morales returned to his home country on Monday, after spending a year in self-imposed exile, and a day after his party's candidate, Luis Arce, was sworn in as president, *The Wall Street Journal* reported. "I was sure I was going to return. I didn't think it would be so soon," said Morales, who participated upon his return in an Indigenous cleansing ceremony. Morales, who resigned under pressure a year ago today after nearly 14 years as president, then set off on a three-day, 700-mile trip across Bolivia in a vehicle caravan that is due to arrive Wednesday in the Chapare region where Morales started his career as an activist for coca farmers. Arce, a former economy minister under Morales, said during his campaign that Morales would serve no role in his government. However, some experts on Bolivian politics said Morales was unlikely to step aside. "Evo is sending a message," Jorge Derpic, a scholar at the University of Georgia, told *The Wall Street Journal*. "He's reasserting himself as the strongman of the party." In a speech in Villazón, a town on Bolivia's border with Argentina, Morales denied the fraud allegations that marred his attempt at a fourth term last year and blamed his ouster on political rivals backed by the United States,

NEWS BRIEFS

Flooding Kills at least Nine, Forces Evacuations in Mexico's Tabasco State

Flooding in the Mexican state of Tabasco has resulted in at least nine deaths and has forced some 9,000 people to evacuate, officials said Monday, the Associated Press reported. Mexico's Interior Department said the flooding has affected approximately 150,000 people because of displacement, damage to crops or damage to homes. President Andrés Manuel López Obrador said the government was sending aid and would clean up riverbeds to lower flood risks. The flooding followed rains associated with Tropical Storm Eta that left some 20 people dead in the neighboring state of Chiapas.

Amazon to Open Three Distribution Centers in Brazil

Amazon will open three new distribution centers in Brazil, its biggest logistics expansion in Latin America's largest market as competition picks up amid the Covid-19 pandemic, *Bloomberg News* reported Monday. The move comes two months after the company launched its largest distribution center yet in Brazil, and it increases to 500 the number of cities with deliveries in less than 48 hours, a figure that represents nearly 10 percent of Brazilian municipalities.

Argentina to Seek Extended Fund Facility From IMF: Guzmán

Argentina will seek an Extended Fund Facility (EFF) from the International Monetary Fund to replace a failed \$57 billion standby loan, Economy Minister Martín Guzmán said Monday, *Reuters* reported. The EFF is a longer-term program that usually demands more economic reforms than a standby deal. Guzmán said he hoped to secure the new deal by April.

though he provided no evidence. “Brothers and sisters, we are still making history,” said Morales, *The Wall Street Journal* reported. “Now, Evo has recovered democracy and retaken the homeland without violence.” Morales still faces treason and sedition charges that were filed by prosecutors during the conservative interim government of former President Jeanine Áñez, the *Associated Press* reported. Prosecutors accused Morales of instigating violent protests, and Áñez’s government tried to reverse Morales’ policies. However, a judge canceled the warrant for Morales’ arrest, and Morales’ Movement Toward Socialism party retained its majority in Congress after last month’s vote. [Editor’s note: See related [Q&A](#) in the Oct. 20 issue of the Advisor.]

BUSINESS NEWS

Brazil Halts Trials of Sinovac’s Potential Covid-19 Vaccine

Brazil has halted final-stage trials of a Chinese-manufactured potential Covid-19 vaccine, national health regulator Anvisa said on Monday, the *Financial Times* reported. The trial of the CoronaVac vaccine has been suspended due to an adverse reaction reported in late October. The trial had been implemented jointly with São Paulo’s Butantan Institute. Anvisa said no new volunteers will be inoculated until the completion of a study evaluating the trial. The agency did not detail the nature of the adverse reaction. Sinovac, the Chinese company developing CoronaVac, said it was confident of the vaccine’s safety and that the Butantan Institute believed the incident was not related to the drug. The news came a day after U.S. pharmaceutical company Pfizer, in partnership with Germany’s BioNTech, announced its Covid-19 vaccine was found to be more than 90 percent effective, raising hopes that it could be available as soon as the end of the year, the *Financial Times* reported. A spokesman for Pfizer on Monday said the company was in talks with the Brazilian government for

FEATURED Q&A / Continued from page 1

slowdown to their advantage by using the down time to explore multilateral approaches to the development of the lithium industry. The focus should be on building a strong regional comparative advantage based on ensuring the highest possible baseline environmental, social and governance standards for the lithium industry in general, and for each unique salt lake in particular. South America already produces much-demanded high-quality lithium chemicals, but social and environmental concerns are yet to be successfully addressed. Governments could also explore regional solutions for shielding the lithium sector from the region’s traditional political and economic volatility. That would give the Lithium Triangle a strong standing for attracting investments.”

A **Emily Hersh, managing partner of DCDB Research:** “The term ‘Lithium Triangle’ fails to capture Latin America’s potential and ignores lithium in Brazil, Peru and Mexico. Bolivia is not currently a lithium producer, nor is it likely to be so in the near future. Covid caused only minor production disruptions. The most important impact has been on construction in Argentina, where operators were forced to shut down due to widespread outbreaks within employee populations. Additionally, prohibitions on travel between provinces severely affected the ability for exploration companies to operate, especially those who relied heavily on infrastructure provided by local communities. Covid has exacerbated the weak macroeconomic situation in Argentina, illustrated by the gap between the official and parallel exchange rates. Macroeconomic instability forced projects in Argentina to slow or halt expansion plans and adversely affects investor sentiment. Price fluctuations are less important

inclusion in the country’s national vaccination program, *Reuters* reported. Pfizer’s vaccine is undergoing late-stage tests in Brazil. Also on Monday, Chilean President Sebastián Piñera

than macroeconomic and political instability. The electric vehicle narrative is strong, and sentiment surrounding lithium demand is optimistic going forward. Governments in countries with lithium deposits should enact policies to attract well-capitalized, tech-

“**The electric vehicle narrative is strong, and sentiment surrounding lithium demand is optimistic going forward.**”

– Emily Hersh

nologically sophisticated partners. These policies should demonstrate understanding of the complexity of the lithium battery supply chain, and willingness not to skip steps. Specifically, plans to produce batteries before achieving commercial-scale lithium production are doomed to fail. Lithium investments are likely to come from oil companies seeking to diversify and become energy companies for the future, as seen by Schlumberger’s investment in Pure Energy in Nevada, or involvement from Pluspetrol and YPF in Argentina. Similarly, Asian battery companies have shown recent interest in upstream investment, exemplified by CATL’s investment in Neo Lithium in Argentina. I expect further significant investment in lithium extraction in South America to be driven largely by incumbents, energy companies and battery players. Sustainability requires speaking directly to carbon dioxide emissions, water use and waste streams. Relationships with local communities cannot be outsourced or formed by following a one-size-fits-all policy.”

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celebrated Pfizer’s announcement, saying Chile was in a “privileged and opportune” position to be able to start a vaccine campaign early next year, *Reuters* reported.

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A **Andrés Rebolledo, former energy minister of Chile and dean of the business department at USEK Chile:** "Lithium demand is likely to be adversely affected in the short term by the economic crisis that the pandemic has caused. However, when the economic recovery takes hold, this mineral will resume its growth rate, since the demand for both private electric vehicles and electric micro-mobility, such as public transport buses, will resume its growth rate. Countries will continue to deepen their transition to variable renewable energies, so storage will be a central aspect to give security and competitiveness in electricity markets. In this context, lithium batteries will play a fundamental role. Therefore, both aspects mean that the growth projections for this industry, in the medium term, are very positive. The fundamental challenge for the countries of the Lithium Triangle is to take advantage of this opportunity and to place themselves in a good position in the value chain of the industry, producing products with value added and thereby ensuring that the income associated with the industry remains in our countries."

A **Juan Carlos Zuleta, Bolivia-based lithium economics analyst:** "In general, lithium production and investment in South America amid the Covid-19 pandemic have shown a downward trend. The sharp drop in lithium prices is not necessarily a result of the pandemic, but rather of a temporary oversupply that was already evident toward mid-2019. Both factors have had an impact on lithium companies' development plans. However, not all lithium operators in South America have been created equal. As of

today, there are four active lithium operators in South America. Two (SQM and Albemarle) are in Chile, and two (Livent and Orocobre) operate in Argentina. Bolivia's Yacimientos de Litio Bolivianos (YLB) still has a relatively low level of production, and the newly

“ Not all lithium operators in South America have been created equal.”

— Juan Carlos Zuleta

delayed launching of its lithium carbonate industrial plant is now scheduled for next April. As for the role of governments, there seems to be very little space for maneuvering in Argentina and Chile as all lithium operations are in private hands in these countries. Although Bolivia still has complete control of its lithium, it's highly unlikely that this will be the case with the new government. With respect to regulations to ensure sustainability in lithium production, we can persuade lithium operators to move away from the use of obsolete, highly inefficient and environmentally unfriendly technologies based on solar evaporation ponds to direct lithium extraction methods. These can be of three types: rapid evaporation, desalinization and advanced chemical. Bolivia has an interesting window of opportunity to rectify the failing approach it has taken for more than 10 years. However, it's doubtful this will be possible with the companies working in the Lithium Triangle."

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

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