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FEATURED Q&A

Is Bolivia on the Cusp of Increased Lithium Production?



Bolivia hopes to begin large-scale production of lithium, the world's largest reserve of which is believed to be in the country's Salar de Uyuni salt flat. // File Photo: Bolivian Government.

Q Bolivia's government announced Aug. 26 that it had selected nine companies to conduct tests for directly extracting lithium. The move is part of the country's efforts to start large-scale production of the metal, which has uses including in lithium-ion batteries. How important are the pilot tests, and to what extent could new technologies jump-start Bolivia's production of lithium? How well is the government of Bolivian President Luis Arce managing the country's lithium resources? How much of a boost could increased production of lithium give to Bolivia's economy, and what needs to happen for benefits to materialize?

A Patricia I. Vásquez, global fellow at the Wilson Center: "Private participation could contribute the financial resources and technical know-how Bolivia needs to be able to ride the global wave of a lithium-led energy transition. Bolivia holds the world's largest lithium resources, but they remain undeveloped a decade after the country adopted a national strategy for their industrialization. The initial strategy mandated government control of the whole value chain, except for the production of batteries, where private companies can partner with Bolivia's state-owned lithium company. The strategy never really took off due in part to inadequate domestic technical expertise and difficulties in gathering public funding. The new government of President Luis Arce seems determined to turn things around. He named one of the industry's most respected international lithium consulting firms to advise him on the next steps. The government also picked nine private companies to test a technique called direct lithium extraction (DLE) in

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TODAY'S NEWS

POLITICAL

Haiti Ombudsman Demands Henry Step Down as Prime Minister

Haiti's Office of Citizen Protection demanded that Prime Minister Ariel Henry resign over alleged phone calls between him and a key suspect in the July 7 assassination of President Jovenel Moïse.

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Venezuela to Allow Private Food Companies

Venezuela's government will allow the private sector to manage at least 13 food production companies that were nationalized a decade ago.

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ECONOMIC

IMF Taps Goldfajn to Lead Western Hemisphere Dept.

The International Monetary Fund named Ilan Goldfajn, a former head of Brazil's central bank, to lead its Western Hemisphere Department.

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Goldfajn // File Photo: Brazilian Government.

POLITICAL NEWS

Haiti Ombudsman Demands Prime Minister Step Down

Haiti's Office of Citizen Protection on Monday demanded that Prime Minister Ariel Henry resign as authorities seek to interview him about phone calls he is alleged to have had with a key suspect in the July 7 assassination of President Jovenel Moïse, the Associated Press reported. "We would all love to know the content of that conversation," Renan Hédouville, who heads the ombudsman-like citizen protection office, said of the phone calls, believed to have been made between Henry and Joseph Badio, a fugitive who previously worked at Haiti's Ministry of Justice and the government's anti-corruption office, the AP reported. Badio was fired last May after being accused of violating ethics rules. Hédouville said his office's call on Henry to step down was "objective and courageous," and he urged the international community to withdraw its support for Henry. Last Friday, the chief prosecutor for Port-au-Prince, Bedford Claude, sent a letter to Henry, asking to meet with him. Claude said his office has evidence that Henry and Badio spoke twice by phone before dawn, just after Moïse's assassination. "The prime minister cannot remain in his post without clearing up these dark areas," said Hédouville, the AP reported. Also on Monday, Haiti's justice minister, Rockefeller Vincent, demanded that the chief of Haiti's National Police immediately increase security for Claude, adding that the prosecutor had received "important and disturbing" threats, the wire service reported. Henry has not publicly addressed Claude's allegations about the phone calls between him and Badio. However, during a meeting Saturday with political leaders, Henry said he would keep working to stabilize the country. "Rest assured that no distraction, no summons or invitation, no maneuver, no threat, no rearguard combat, no aggression will distract me from my mission," said Henry, the AP reported. Authorities have arrested more than 40 people in the assassination case, including 18 former

Colombian soldiers, they are still searching for Badio and other suspects. In a July 29 Q&A published in the Advisor, Fulton Armstrong, a senior fellow at American University and a former U.S. National Intelligence officer, said he expects continued political turmoil in Haiti. "Henry sits atop a political and social volcano, and he lacks the government, police and judiciary tools with which to prevent further eruptions," said Armstrong.

ECONOMIC NEWS

IMF Taps Goldfajn as Head of Western Hemisphere Dept.

The International Monetary Fund has tapped former Brazilian central bank chief Ilan Goldfajn as the head of its Western Hemisphere Department, the IMF's director announced Monday. "I am delighted that Ilan will join our team as the new [Western Hemisphere Department] director," said IMF Managing Director Kristalina Georgieva. "His proven track record as a policymaker, communicator, as well as his depth of knowledge as an international finance executive and his familiarity with the Fund's work will be invaluable in helping our member countries in the region." Goldfajn will take over the position on Jan. 3, replacing Alejandro Werner, who stepped down on Aug. 31. The Western Hemisphere department's deputy director, Nigel Chalk, will continue overseeing the department on an interim basis until Goldfajn takes over, Reuters reported. Goldfajn previously worked as an economist at the IMF from 1996 to 1999 and was the head of Brazil's central bank from May 2016 to February 2019. He has also served as chief economist at Itaú Unibanco and most recently as board chairman of Credit Suisse's unit in Brazil. The Switzerland-based bank announced Monday that Ana Paula Pessoa will replace Goldfajn as chair of its Brazilian unit. Pessoa currently chairs Credit Suisse Europe. She will work to align the Brazilian unit to Credit Suisse's strategy, said the bank's chairman, António Horta-Osório. Goldfajn will be among

NEWS BRIEFS

Argentine Stocks Hit Record High on Conservatives' Wins

Argentine stocks hit a record high, and bonds surged on Monday following the conservative coalition's win in the primary elections, which signaled its likely victory in the legislative midterms in November, Reuters reported. Argentina's benchmark 2035 dollar-denominated sovereign bond was up by as much as three points, while the benchmark Merval stocks index rose 4.4 percent, led by a 14 percent increase in power firm Central Puerto. The peso was up 3.9 percent to 178 per U.S. dollar.

SoftBank Commits Additional \$3 Billion to Latin America Investments

Japanese investment group SoftBank today announced it was launching the Softbank Latin America Fund II, its second private investment fund focused on technology firms in Latin America, TechCrunch reported. The group is committing an initial \$3 billion to the new fund, which follows SoftBank's \$5 billion Latin America Fund that was launched in March 2019. Through the first fund, the group has invested in Latin American start-up tech companies including Rappi, Mercado Bitcoin and Madeira-Madeira.

Brazil Creates New State Company to Control Eletrobras Assets

Brazilian President Jair Bolsonaro has signed a decree creating a new state company to control assets of state utility Eletrobras that cannot be sold as part of the firm's privatization, the president's press office said late on Sunday, Reuters reported. Among the assets that the new company, ENBpar, would control are the Itaipú hydroelectric power plant and the nuclear plant in Angra dos Reis, in Rio de Janeiro state, according to the decree.

those at the IMF leading talks with Argentina about reworking its failed \$45 billion program for that country, Bloomberg News reported.

BUSINESS NEWS

Venezuela to Allow Private Sector to Manage Food Firms

Venezuela's government will allow the private sector to manage at least 13 food companies that were nationalized a decade ago, Reuters reported, citing documents and a dozen unnamed people familiar with the matter. The government of Venezuelan President Nicolás Maduro will retain ownership of the food producers—which range from corn flour and dairy products to canned tuna and seeds—but has allowed third parties to run them in exchange for payment, according to the sources and documents. The move, a rollback of the state-led model that the current government inherited from former President Hugo Chávez, who hand-picked Maduro, seeks to improve operations that have suffered under state management. However, analysts say the reported shift is unlikely to change agricultural productivity following a decade of underinvestment in an economy that has been struggling amid hyperinflation for years. “With the economic crisis, the management model is being changed to increase income or reduce state spending,” said economist Richard Obuchi, who heads local consulting firm ODH, Reuters reported. “Government control has been losing its meaning,” he added. The reported move comes as Maduro representatives met with members of the Venezuelan opposition last week, agreeing to “establish mechanisms for the restoration and achievement of resources to meet the social needs of the population with special emphasis on the effects of the Covid-19 pandemic,” according to a joint statement that did not offer further detail, the Associated Press reported. [Editor's note: See related [Q&A](#) in the Sept. 9 issue of the Advisor.]

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Bolivia, which if successful can produce lithium in a matter of hours at high recovery rates. By contrast, traditional techniques used in Argentina and Chile depend on the sun to evaporate the water from brines to separate lithium, a months-long process with lower recovery rates. Local communities in Bolivia's Potosí, home to the world's largest salt flat, demand to be part of lithium policy decisions, a call President Arce would be wise to attend to. Back in 2019, protests in Potosí against government management of the lithium industry, amid the post-election upheaval, resulted in the resignation of former President Evo Morales. Bolivia's lithium could be key to jump-starting the economy.”

A Gal Luft, co-director of the Institute for the Analysis of Global Security and professor at Ostim Technical University in Turkey:

“Lithium is an abundant resource that can be produced in many countries. The Bolivian pilot tests are an important first step to establish the quality of the lithium and most importantly its level of impurities, as this will determine the complexity and cost of the manufacturing process. The country has yet to establish its royalty and taxation frameworks related to mineral extraction to provide foreign investors with regulatory certainty. Bolivia will also have to determine its level of participation in the construction of the infrastructure necessary for manufacturing, such as roads, electricity and water supply to the remote salt flats, as this will also help determine the manufacturing cost. These are all critical factors for investors considering entry into the mining sector in Bolivia. Neighboring Chile and Argentina have an established early-mover advantage in the global lithium market. For Bolivia to be able to compete with them, it must offer not only cost advantages, government incentives and regulatory certainty, but also technological edge through the adoption of direct lithium extraction technologies, which save the time needed to evaporate brines. How

well and how fast the government organizes itself to become attractive to foreign investors is yet to be seen. The fact that there is a strong constituency that is in no hurry to entrust the country's natural resources to the hands of foreign companies promises that it will be an uphill battle for Bolivia to become a major player in the lithium boom.”

A William Tahil, research director at Meridian International Research: “Bolivian lithium from Uyuni has been an unpredictable industrial and investment prospect since the outset. The electric car transition, at least initially based on lithium batteries, is now in full swing. If Uyuni were going to play a major part in supplying lithium for this transition, it would have been better to have started commercial production several years ago. Players such as Contemporary Amperex Technology (CATL) and Toyota are clearly positioning to move on and use alterna-

“ Bolivian lithium from Uyuni has been an unpredictable industrial and investment prospect since the outset.”

— William Tahil

tives to lithium such as sodium ion or the various chemistries made possible by using solid state technology. Therefore, it may be getting rather late in the day for Uyuni to play a part at all. The technical and logistical problems with producing lithium compounds from the Salar de Uyuni—chemistry, climate and remoteness—are very challenging. Given these factors, I do not believe major transport industries that are looking to go electric beyond simply passenger cars will be able to justify basing their future business development on scenarios that are reliant on lithium from Uyuni.”

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A **Andrés Rebolledo, former energy minister of Chile and dean of the business department at USEK Chile:** “The greatest challenge on the planet is the fight against climate change, and cleaning up transportation is imperative. For this reason, advancing in the massification of electromobility is a central objective. In this context, it is very good news that new lithium mining projects are being developed in Bolivia, a country that, together with Argentina and Chile in Latin America, has the main reserves of this

“It is important for this industry to develop quickly...”

— Andrés Rebolledo

mineral in the world, giving it a privileged position in the new era of clean energy and the emergence of electromobility. It is important for this industry to develop quickly, and for this the roles of both private companies and states are crucial, as a favorable regulatory framework is required to generate incentives to implement relevant and competitive technological solutions. Starting with pilots is interesting, because it allows for adjustment and an increase in efficiency in the implementation of these productive projects. A fundamental and strategic element relates to which phase of the productive value chain these projects will be located—whether in the simple extraction of the mineral or in the development of products with greater added value that could allow for integration with the global automotive industry or even develop a local industry. In fact, Bolivia has taken some steps toward the latter, as it has made efforts to produce electric vehicles locally.”

A **Juan Carlos Zuleta, lithium economics analyst:** “On Aug. 26, Bolivia’s government announced for the second time that nine companies were selected to evaluate direct extraction technologies (DLE) with Bolivian brines. There are two problems with the international call that led to this result. For one, a complete lack of transparency has characterized this call. This can be easily verified by noting that to date, the names of the companies that submitted their proposals and those that were finally selected are unknown. The second problem is that, because the DLE technologies are not off-the-shelf products, their adaptation will require the development of basic chemistry processes by the selected foreign companies. This violates Law 928, which establishes that Yacimientos de Litio Bolivianos (YLB) will develop the extraction and refining processes of its evaporite resources with a 100 percent participation of the state for the production and commercialization of all the products of the evaporite chain. I have long advocated the use of DLE methods in Salar de Uyuni, but if the international call is not framed in the law, the competent jurisdictional authorities could declare it void. This is why the Bolivian government should have started by changing that inadequate law before engaging in opaque and illegal negotiations with foreign companies aimed at applying pilot tests for new technologies. Lastly, increased lithium production would not be a real boost to Bolivia’s economy per se; the benefits would only materialize with value-added products. Unfortunately, the current government’s view of lithium industrialization in the country leaves much to be desired.”

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

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