

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Merike Blofield
Director, Institute for Latin American Studies, GIGA

Devry Boughner Vorwerk
CEO, DevryBV Sustainable Strategies

Joyce Chang
Global Head of Research, JPMorgan Chase & Co.

Paula Cifuentes
Director of Economic & Fiscal Affairs, Latin America & Canada, Philip Morris International

Marlene Fernández
Corporate Vice President for Government Relations, Arcos Dorados (McDonald's)

Peter Hakim
President Emeritus, Inter-American Dialogue

Donna Hrinak
Senior VP, Corporate Affairs, Royal Caribbean Group

Jon E. Huenemann
Council Member, GLG Inc.

James R. Jones
Chairman, Monarch Global Strategies

Craig A. Kelly
Senior Director, Int'l Gov't Relations, Exxon Mobil

Barbara Kotschwar
Executive Director, Visa Economic Empowerment Institute

John Maisto
Director, U.S. Education Finance Group

Nicolás Mariscal
Chairman, Grupo Marhnos

Thomas F. McLarty III
Chairman, McLarty Associates

Beatrice Rangel
Director, AMLA Consulting LLC

Ernesto Revilla
Head of Latin American Economics, Citi

Gustavo Roosen
President, IESA

Andrés Rozental
President, Rozental & Asociados

Shelly Shetty
Managing Director, Sovereigns Fitch Ratings

FEATURED Q&A

What Would Joining the Pacific Alliance Mean for Costa Rica?



The government of Costa Rican President Rodrigo Chaves this month entered talks to join the Pacific Alliance. // File Photo: Costa Rican Government.

Q Costa Rican President Rodrigo Chaves' government on July 8 began talks to join the Pacific Alliance, a group founded more than a decade ago by Chile, Colombia, Mexico and Peru with the goal of promoting the free movement of goods, services, people and capital. Why is Costa Rica interested in joining the alliance now, and what would it gain by becoming a part of the bloc? How likely is it that Costa Rica will be able to join the alliance? What is the current state of the Pacific Alliance, and has the election of left-leaning leaders in each of its member states since its founding altered its direction?

A Ottón Solís, founder of Costa Rica's Citizens' Action Party: "Costa Rica already has free trade agreements with the current four member countries, and apart from Mexico, trade is meaningless and has hardly increased. The interest shown by the new government is, in part, the result of a late inertia from the time when free trade agreements were fashionable and a way to score points before the Washington establishment. But not even that potential reward is on the table given protectionist trends not only in Washington but in other Western capitals. Besides, the U.S. government had a lot of interest in the alliance when the right governed all the member countries, and it served as a geopolitical counterweight to the strong Atlantic presence of left-wing regimes akin to Venezuela's Chávez. This is no longer true, which further weakens any efforts to impress positively on the United States by joining the alliance. However, the announcement of the Costa Rican government's intentions has led to expressions of concern by some

Continued on page 3

TODAY'S NEWS

POLITICAL

Brazil's Bolsonaro Launches Bid for Second Term

Brazilian President Jair Bolsonaro on Sunday officially launched his bid for re-election. He faces a tough challenge from former President Luiz Inácio Lula da Silva, who is leading in polls.

Page 2

BUSINESS

EnergyX Gets \$450 Million in Funding, Eyes Bolivia

Lithium start-up EnergyX, which is seeking to bolster its business prospects in Bolivia, received \$450 million in funding from a private equity group.

Page 3

POLITICAL

Velásquez Tapped as Colombia's Defense Minister

Colombian President Gustavo Petro on Friday tapped Iván Velásquez, who formerly headed a U.N. anticorruption agency in Guatemala, as the Andean nation's next defense minister.

Page 2



Velásquez // File Photo: United Nations.

POLITICAL NEWS

Velásquez Tapped as Colombia's Next Defense Minister

Colombian President-elect Gustavo Petro on Friday named Iván Velásquez, the prosecutor who formerly headed a United Nations anticorruption agency in Guatemala, as Colombia's next defense minister, The Wall Street Journal reported. As defense minister under Petro, who takes office Aug. 7, Velásquez will oversee the Andean nation's army, navy, air force and police force. "I will do whatever is within my power to reciprocate the trust [that Petro has shown] and help him construct that country that we have dreamed of for so long," Velásquez said in a tweet. Petro, a former guerrilla and member of the former M-19 rebel group, has long said that he wants to fight corruption in the military and better utilize the army to bring order to parts of the country that face high levels of crime and illicit activity. During his campaign, Petro also vowed to engage the National Liberation Army, or ELN, rebels in talks in an effort to get them to disarm, The Wall Street Journal reported. While the Revolutionary Armed Forces of Colombia, or FARC, rebels agreed to disarm under its 2016 peace accord with Colombia's government, the ELN and other militias have continued to fight the state while engaging in drug trafficking. "The incoming administration, led by Gustavo Petro and Francia Márquez, promised during the presidential campaign to make implementation of the peace accord a priority," Andrea Saldarriaga Jiménez, an international and government relations expert who previously advised former Colombian presidential candidate Sergio Fajardo, told the Advisor in a [Q&A](#) published July 13. Also on Friday, Petro met in Bogotá with representatives of U.S. President Joe Biden's administration, Reuters reported. The two sides discussed issues including drug trafficking, economic development and the environment, the wire service reported. "This is a positive meeting because it shows the interest that exists in the government of the United States in

Latin America and in Colombia," Petro told reporters alongside U.S. Deputy National Security Advisor Jon Finer. [Editor's note: See [Q&A](#) on Colombia's expected foreign policy under Petro in the July 1 issue of the Advisor.]

Brazil's Bolsonaro Officially Launches Bid for Re-election

Brazilian President Jair Bolsonaro on Sunday officially launched his bid for re-election to a second term ahead of the October presidential election, the Associated Press reported. The Liberal Party formally approved Bolsonaro as its candidate at its convention held at a Rio de Janeiro stadium in a move that was effectively symbolic, given Bolsonaro's campaigning

We don't need another ideology that hasn't worked anywhere else in the world."

— Jair Bolsonaro

in recent months. "We don't need another ideology that hasn't worked anywhere else in the world," Bolsonaro said at the convention, the AP reported. "We need to improve what we have," he added. Bolsonaro continues to trail his primary opponent, former President Luiz Inácio Lula da Silva, who is leading in the polls. A June Datafolha survey reported that 47 percent of respondents said they would vote for Lula, while 28 percent said they would vote for Bolsonaro, the wire service reported. Lula was confirmed as the leftist Workers' Party candidate last week, though he did not attend the party's convention in São Paulo, the AP reported. "He said that's enough of inside party talk; it's time to go to the streets and talk to voters," a Lula aide told Reuters about why the former president did not attend the convention. [Editor's note: See [Q&A](#) on Brazil's presidential election in April 8 issue of the Latin America Advisor.]

NEWS BRIEFS

U.S. State Dept. Blacklists Former Paraguayan President Cartes

The U.S. State Department on Friday sanctioned former Paraguayan President Horacio Manuel Cartes, accusing him of involvement in "significant corruption." The United States is alleging that Cartes "obstructed a major international investigation into transnational crime in order to protect himself and his criminal associate from potential prosecution and political damage," Secretary of State Antony Blinken said in a statement. The sanctions will bar Cartes and his direct family members from traveling to the United States, CNN en Español reported.

New Argentine Economy Minister Meeting Today With IMF Chief

New Argentine Economy Minister Silvina Batakis will meet with IMF Managing Director Kristalina Georgieva today in Washington, Reuters reported. Batakis and Georgieva spoke by phone earlier this month about Argentina's implementation of its \$44 billion program with the IMF.

Chile's Codelco to Restart Some Operations Following Workers' Deaths

Chilean state-owned copper mining company Codelco is set to resume operations at some of its mining projects today following the death of two workers in less than a month, the copper miner said in a statement Sunday, Reuters reported. Codelco said that the resumption of operations, which were halted last week pending a safety review, will begin with infrastructure work, and then go on to work in underground mines in the next few days. The two workers died in work-related incidents at two different mining sites, the wire service reported.

Cuba Opens Door for Gay Marriage, More Rights for Women

Cuba's National Assembly on Friday approved a wide-ranging update of its family law, which opens the possibility of same-sex marriage, as well as expanded rights for women and more protections for children, Reuters reported. The revised Families Code will be put to a vote in a referendum on Sept. 25, the wire service reported. In community meetings earlier this year, Cubans debated the revisions, and organizers said 62 percent of people had expressed support for the changes. The code promotes "love, affection, care, sensitivity, respect for others and the harmony of our families," said Justice Minister Oscar Silvera Martínez. The changes would require 50 percent support in the referendum in order to take effect, The Washington Post reported. The changes would allow same-sex marriage, surrogate pregnancies and prenuptial agreements, as well as promote equal sharing of domestic responsibilities, Reuters reported.

BUSINESS NEWS

EnergyX Gets \$450 Million in Funding, Eyes Bolivia

Lithium start-up EnergyX is set to receive a \$450 million investment from private equity firm Global Emerging Market Group, the energy company said in a statement on Friday, Reuters reported. EnergyX, which is expected to go public by 2024, is working to bolster its business prospects in Bolivia. The company is developing its own direct lithium extraction (DLE) technology with the objective of producing lithium with lower costs and a smaller environmental impact than the more traditional open-pit mines and evaporation ponds used to extract the metal, the wire service reported.

FEATURED Q&A / Continued from page 1

agricultural sectors. Therefore, besides unlikely trade and geopolitical gains, the government might buy into some social turmoil if it goes ahead with its intentions. I doubt that after the initial announcement, also motivated by a desire to pinpoint differences with the outgoing two Citizens' Action Party administrations, the Chaves government will be willing to spend political capital on getting the country into such a futile alliance. The broad inconsequentiality of the alliance shells it from an existential threat from political regimes that are not fans of free trade."

A **Devry Boughner Vorwerk, member of the Advisor board and CEO of DevryBV Sustainable Strategies:** "Costa Rica's bid to join the Pacific Alliance is a gateway to joining the broader pan-Pacific agreement, CPTPP. The country's integration into these agreements is logical and many years in the making. Chaves' administration has done well to make the overwhelmingly positive case for Costa Rica's membership in the Pacific Alliance, as evidenced by the support expressed by most of the major business associations in the country. The agriculture industry still stands in opposition to the agreement, and that is something that will be difficult more broadly in negotiations, but it should not stand in the way. The agreement can provide adequate transition time for the agriculture industry to adapt and to benefit from the trade provisions. When the Pacific Alliance was formed in 2011, its purpose was to improve regional integration, and it was ambitious in setting a

Jonathan Collins, the managing director of the Global Emerging Market Group, called EnergyX a "leader and innovator in the complicated and historically inefficient Lithium extraction space," according to a statement by EnergyX. "A tech-heavy ESG company mining in the emerging markets is a rare find," he added. EnergyX said July 21 that it is seeking to raise

direction to move toward 'complete freedom in the movement of goods, services, capital and people' between member states. For example, in 2014 the members immediately eliminated 92 percent of its tariffs. The difficult ones, such as sugar, are left out.

“Chaves' administration has done well to make the overwhelmingly positive case for Costa Rica's membership in the Pacific Alliance...”

— Devry Boughner Vorwerk

The members also have ambitions to set up joint Pacific Alliance missions in export markets, which share the cost among the members. The alliance's ambition is noteworthy and will be challenging given the leftist leaning leadership in the countries. That said, these leaders need to continue to demonstrate economic growth for their people, and setting up the five countries as a competitive bloc is an important tool in their toolkit. Costa Rica risks falling behind if it is not receiving the same preferences as its neighbors."

A **Pablo Duncan-Linch, senior partner at CLC Global, affiliated with LLYC:** "The Chaves administration's main objective seems to open the country more to Chile, Colombia, Mexico and Peru, and to get closer to countries like China and the fastest

Continued on page 4

up to \$75 million in a private offering to retail investors, Reuters reported. Earlier this year, Bolivian officials disqualified the company from a DLE technology selection process following EnergyX's submission of production data 10 minutes after the deadline. "I absolutely think we still have a chance in Bolivia," said EnergyX CEO Teague Egan, the wire service reported.

FEATURED Q&A / Continued from page 3

growing economies. Costa Rica has free trade agreements with all those countries and with China, Singapore and South Korea. Costa Rica has been a Candidate Observer State since 2012 and has been considering the integration for more than a decade. Chaves, a seasoned economist who took office in May, has been adopting decisions that seemed to have been postponed for years. The president will have to deal with internal and external political situations that add complexity. This decision prompted discussions that show that private sector groups are still divided on potential benefits. The agricultural sector has kept its position since the rise of the possibility of joining the alliance, but other sectors want to join. The National Agricultural Alliance voiced fierce opposition to the alliance, claiming the agreement threatens most jobs in its sector. Chaves' administration is very popular among Costa Ricans, but his party makes up less than 20 percent of the legislature. He will have to use his solid political capital, but the agricultural sectors could add allies in opposition to the integration model based on the principle of the free movement of goods, services and money. Perhaps the most significant challenges or opportunities lie in external changes. When the Pacific Alliance was launched, its members had conservative governments that aligned with

the United States. Now, a diverse movement of leftist leaders is taking the leading role in the alliance, leaving questions about how the alliance could be affected and how

“Chaves, a seasoned economist who took office in May, has been adopting decisions that seemed to have been postponed for years.”

— Pablo Duncan-Linch

regionalism based on political rather than commercial projects could be prioritized. Chaves will have to assess whether the alliance continues to have the same potential benefits for Costa Rica and evaluate if it is an opportunity because of the country's condition, as well as the plan's internal and external political viability. Approaches to leftist governments are widely criticized by majority groups in Costa Rica, including allies of Chaves and ruling party.”

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Leticia Chacón

Reporter
lchacon@thedialogue.org



Rebecca Bill Chavez, President

Bruno Binetti, Nonresident Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Senior Advisor

Santiago Cantón, Director, Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Julia Dias Leite, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Sandra García Jaramillo, Nonresident Senior Fellow

Selina Ho, Nonresident Senior Fellow

Edison Lanza, Nonresident Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia Program

Manuel Orozco, Director, Migration, Remittances and Development Program

Xiaoyu Pu, Nonresident Senior Fellow

Jeffrey Puryear, Senior Fellow

Michael Shifter, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Daniela Stevens, Director, Energy, Climate Change & Extractive Industries Program

Lisa Viscidi, Nonresident Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

Subscription inquiries are welcomed at ebrand@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

Advisor Video

Colombia's Energy Policy Under Incoming President Gustavo Petro

A Latin America Advisor interview with Inés Vesga, partner at Holland & Knight in Bogotá

WATCH

