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FEATURED Q&A

What Will a New Nuclear Facility Mean for Bolivia?



Bolivian President Evo Morales announced last November that he wanted a planned nuclear research center in the city of El Alto to be the largest such facility in South America. // File Photo: Bolivian Government.

Q Russian nuclear power company Rosatom and the Bolivian Atomic Energy Agency, or ABEN, have signed their first commercial contracts on a \$300 million project to construct a center for nuclear technology research in Bolivia. Is nuclear the best option for gas-rich Bolivia to pursue? Why has Russia decided to partner with Bolivia on nuclear energy? What will the facility mean for Bolivia's power production capacity?

A Iván C. Rebolledo, managing partner of TerraNova Strategic Partners LLC and president of the Bolivian-American Chamber of Commerce: "President Evo Morales and his political party, MAS, have repeatedly vowed that Bolivia will become South America's key energy hub by 2025, with the export of 3,000 megawatts of electricity. For this to happen, the government has stated it needs to expand its exploration of hydrocarbons, construct thermo/hydroelectric plants and construct nuclear power facilities in the Altiplano region. The nuclear option is extremely expensive at the outset, up to \$5,000 per MW per reactor. Therefore a 1-GW plant would require an investment of at least \$5 billion. Bolivia's actual electrical grid is rather limited and has a capacity of less than 1 GW. Water consumption for a nuclear reactor is immense, and the Altiplano already suffers from a water shortage, especially due to climate change. Additionally, Bolivia would need to import uranium. Even if it were discovered in Bolivia, the scientific know-how on its enrichment would need to be imported. On the other hand, the Altiplano, which includes the major cities of La Paz, Oruro and Potosí, requires cheaper energy sources to enhance develop-

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TODAY'S NEWS

POLITICAL

Venezuelan Agents Imprison Opposition Leader Ceballos

Agents of Venezuela's Sebin intelligence agency seized opposition leader Daniel Ceballos, who had been on house arrest, and placed him behind bars.

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ECONOMIC

Mexico's Trade Deficit Wider Than Expected

Mexico's trade deficit was wider than economists expected in July. Exports rose slightly in July, however, as compared to June, due to a rise in auto exports.

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POLITICAL

Cease-Fire Takes Effect in Colombia

A bilateral cease-fire, halting hostilities between Colombia's government and the FARC rebels, took effect early this morning. In a posting on Twitter, President Juan Manuel Santos said the cease-fire, which follows last week's final peace deal, closes "one of the country's most painful chapters."

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Santos // File Photo: Colombian Government.

POLITICAL NEWS

Cease-Fire Takes Effect in Colombia

A bilateral cease-fire took effect early this morning in Colombia, halting hostilities between the Revolutionary Armed Forces of Colombia, or FARC, rebels, and Colombia's government. The cease-fire follows last week's milestone in which the two sides reached a fi-

“Never again will parents be burying their sons and daughters killed in the war.”

— Rodrigo Londoño

nal agreement on the peace accords, following nearly four years of talks in Havana—a deal that could formally end Colombia's five-decade armed conflict. “Never again will parents be burying their sons and daughters killed in the war,” FARC leader Rodrigo Londoño, also known as Timochenko, said in declaring the cease-fire, the Associated Press reported. “All rivalries and grudges will remain in the past.” In a tweet, President Juan Manuel Santos said the cease-fire, which took effect at midnight, closes “one of the country's most painful chapters,” calling the halt of hostilities a “historic step.” The 297-page peace accord calls for the FARC to relinquish their weapons six months after the government and rebels formally sign the accord, the wire service reported. In exchange, the FARC's political movement will receive at least 10 seats in Congress, five in each chamber, for two legislative sessions. Also, 16 new seats in the lower house of Congress will be created for grassroots activists in rural areas. Traditional candidates will be prohibited from running candidates for those positions. Those arrangements would end after 2026, at which time the FARC would have to remain in political power through elections. The cease-fire is not ending all hostilities in Colombia, as the smaller National Liberation Army, or ELN, remains

in conflict with the government. However, the ELN is also pursuing a peace deal. In order for the peace accord to formally take effect, voters would have to approve it in a referendum scheduled for Oct. 2. [Editor's note: See related [Q&A](#) in the Aug. 25 issue of the Advisor.]

Venezuelan Agents Imprison Opposition Leader Ceballos

Venezuelan government agents early Saturday morning seized opposition leader Daniel Ceballos from his home, where he had been on house arrest, and imprisoned him, Reuters reported, citing Ceballos' wife and the country's interior ministry. Ceballos was arrested in 2014 on charges that he helped to lead violent anti-government protests in the city of San Cristóbal, where he served as mayor. He denies accusations of wrongdoing. Agents from



Ceballos // File Photo: Venezuelan Government.

Venezuela's Sebin intelligence agency arrived at Ceballos' home in Caracas at about 3 a.m., saying they needed to conduct a medical exam on him. Ceballos, who was placed on house arrest last year for medical reasons, was then placed into an ambulance and transported to a prison, said his wife, Patricia de Ceballos. Venezuela's interior ministry said the former mayor's house arrest was revoked because he had tried to escape from his home and planned to incite violence at an anti-government protest scheduled for Thursday. In a statement, the U.S. State Department spokesman John Kirby said the arrest amounted to “an effort to intimidate and impede the Venezuelan people's right to peacefully express their opinion” at the protest.

NEWS BRIEFS

Rousseff to Address Senators Today at Impeachment Trial

Suspended Brazilian President Dilma Rousseff will address senators today during her impeachment trial, the Voice of America reported. Both supportive senators and her opponents will have the opportunity to ask questions after she gives her comments. Following deliberations during her trial, senators will vote on whether or not to permanently remove Rousseff from office. Of the 81 senators, 54 must vote against her in order for her to be removed from her position. Rousseff is on trial for allegedly breaking fiscal rules by covering up a budgetary deficit during her 2014 re-election campaign. She has denied wrongdoing.

Peruvian Gov't Expecting 4% Growth This Year

Peru's economy is set to grow by 4 percent this year and 4.8 percent next year, according to newly elected President Pedro Pablo Kuczynski's government in its first set of forecasts since taking power last month, Reuters reported Sunday. Economic growth this year will be “boosted by greater mining production (of around 20 percent) and a moderately expansive fiscal policy, via public investment,” the government said.

Global Warming Seen as Top Threat to Region's Potato Industry

Global warming has overtaken late blight and other diseases as the top concern facing Latin America's potato industry, the president of the Latin American Potato Association, or ALAP, said Friday in Panama at the group's annual congress, PotatoPro reported. “The high temperatures and the erratic rainfall have rendered the late blight into the background” among potato growers' biggest challenges, said Rafael Mora.

ECONOMIC NEWS

Mexico's Trade Deficit in July Wider Than Expected

Mexico's trade deficit in July was larger than economists predicted, according to the national statistics agency INEGI, The Wall Street Journal reported Friday. The monthly report showed that Mexico's exports declined 9 percent last month as compared to July 2015 as exports to the United States, Mexico's primary trading partner, have been weak over the last year. However, the country's exports are up slightly from June to July, bolstered by a 2.8 percent rise in auto exports over the one-month period. The petroleum trade deficit accounted for \$1.4 billion of the \$1.83 billion overall deficit, as low prices worldwide forced Mexico to export less crude oil and import more gasoline. The report comes amid a string of negative economic news for the country this week, after officials last week announced the first quarterly contraction in three years, and Standard and Poor's downgraded Mexico's sovereign credit outlook from stable to negative on Tuesday. The credit rating firm added that it could downgrade the country even further in the next two years if Mexico's fiscal situation continues to worsen, Reuters reported.

BUSINESS NEWS

Codelco Sees First-Half Loss Despite Higher Output

Chilean state-owned copper miner Codelco produced more copper in the first half of this year than during the same period last year, but had a financial loss, Reuters reported Friday. Codelco CEO Nelson Pizarro said the company's situation was "extremely fragile," following the news that the company had a pre-tax loss of \$97 million, despite producing 843 metric tons of

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ment goals. Electricity is expensive in this region, since it has to be transmitted from distant hydroelectric facilities—there are

“One can only assume that Russia, as well as Iran, have decided to partner with Bolivia for geopolitical reasons.”

— Iván C. Rebolledo

no major waterfalls in this region to create hydroelectric power. Alternative energy (both renewable and non-renewable) sources should be massively developed and become an integral part of government energy policy. One can only assume that Russia, as well as Iran, have decided to partner with Bolivia for geopolitical reasons (i.e. antagonizing the United States in its own backyard)."

A Nelson Altamirano, professor of economics at the School of Business and Management at National University: "Bolivia is rich in mining and natural gas resources, but poor in education, science and industrial capacity. There are only three countries in the region without a nuclear research reactor, and this fact reflects their distance in science and industrial capacity, compared

to the other South American countries. If we see the \$300 million contract with Russia's Rosatom as a technology transfer contract, the benefits for Bolivia depend on how much nuclear scientific capacity will be truly transferred, assimilated and embedded into Bolivia's education, science and industrial network. We don't know the details of the agreement, but we know Bolivia does not have successful technology-transfer examples in the mining sector with Russians, and Russia is well known for its closed-box transfer agreements. Do we have elements today to predict this technological transfer experience will be different? No. Furthermore, the continuation of this project after President Evo Morales leaves office in four years depends on the economy, the political support of the opposition and the institutional support of the Armed Forces for it. The maintenance costs of this research facility are high, given the size of the Bolivian economy, the global low demand for Bolivian traditional exports and the regional economic crisis. The project is not really related to national security and energy independence, and therefore is unlikely to be a high priority. So, lamentably, its continuation after Morales is at risk. I really hope Bolivia will not just give away \$300 million, because there are other investments with higher and more secure returns in the infrastructure, communications and education sectors that can also solve local industrial, agricultural and health issues."

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copper, up 1.4 percent as compared to the first half of 2015. The company's direct cash costs fell by 9 percent to \$1.28 per pound of copper compared to a year ago, though the price of the metal is down by more than 20 percent, due at least in part to a weakening demand for the commodity from top-importer China. In order to maintain output levels, Codelco had been investing in multi-billion dollar expansion projects, but weak results have forced the state-run company to dial back some of its plans. "We are playing on the edge," Pizarro told reporters after the results from the first half of 2016 had

been released. He said two of the projects, one that would take the Chuquicamata copper mine underground and the other that would build a new crushing plant at the Andina mine, are progressing as planned. Another plan to expand the Radomiro Tomic mine, however, had to be redesigned, as the project was not expected to be as profitable as the others, Pizarro said. Though the company produced an overall loss in the first half, it did have a \$54 million profit in the second quarter, and Pizarro expressed optimism that the price of copper had stabilized.

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A **Mauricio Becerra de la Roca Donoso, managing partner at BDA Abogados SRL:** "On March 9, President Evo Morales issued Supreme Decree 2697, creating the Bolivian Nuclear Energy Agency (ABEN) as a public institution with the purpose of developing, supplying and commercializing goods and services of nuclear technology with peaceful ends. The ABEN will build the Centro de Investigación y Desarrollo en Tecnología Nuclear (CIDTN), which will be the biggest nuclear facility in South America. The government initially planned to establish the research complex on the outskirts of La Paz, but protests by residents of the city scrapped that plan. The government now plans to build the complex on a 50-acre site in El Alto, an industrial city adjoining La Paz. Bolivia and Russia's state-owned atomic energy corporation, Rosatom, have signed this month in Moscow the first commercial contracts for the construction of the \$300 million CIDTN. The center will include a research reactor, a cyclotron for radiopharmaceuticals and a multi-purpose gamma irradiation plant. Opposition politicians have criticized the project over fears of environmental risks. Bolivia has one of the biggest reserves of natural gas in South America, and while some other Latin American countries are halting or abandoning the construction of new nuclear plants, including Brazil,

Mexico and even Cuba, which received an offer of \$800 million from Russia to finish the construction of the nuclear plant in Juraguá and declined for unknown reasons, the government of Bolivia believes this will

“**The high costs associated with these kinds of projects need very clear projected returns to make them viable.**”

— Mauricio Becerra de la Roca Donoso

be a viable project to use nuclear plants not only in power generation but also in science, agriculture, pharmaceuticals and other uses. In any case, the high costs associated with these kinds of projects need very clear projected returns to make them viable—perhaps energy export to Peru, Brazil and other neighbor countries could be feasible. It is very difficult to anticipate what the facility will mean for Bolivia's power production capacity, because the proposed nuclear power generation specifics are yet to be disclosed, but it will certainly increase the 2.62 percent participation of alternative and nuclear energy of total energy use in Bolivia, which was last measured in 2011.”

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

Michael Spak
Editorial Intern



Michael Shifter, President
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