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FEATURED Q&A

Will Infrastructure Investments Pay Off in Bolivia?



Bolivian President Evo Morales on Aug. 13 enacted a law to allow the construction of a road through the Isiboro Sécure Indigenous Territory and National Park, known as TIPNIS. // File Photo: Bolivian Government.

Q Bolivian President Evo Morales last month gave the green light to build a controversial highway that will cut through the Amazon, with the aim of opening the TIPNIS park to timber and minerals companies. Morales also recently inaugurated the country's first electric train, a \$500 million project that will connect the five municipalities of Cochabamba. Is Bolivia making the right kinds of investments to modernize its transportation infrastructure? Will the country's efforts to boost infrastructure bring the promised levels of economic growth? Which sectors and constituencies have the most to gain from these infrastructure investments, and which are being left out?

A Iván Rebolledo, managing partner at TerraNova Strategic Partners LLC and president of the Bolivian-American Chamber of Commerce: "Bolivia clearly is headed in the right direction in expanding its infrastructure network, especially in the area of transportation. Unfortunately, the TIPNIS initiative has been riddled with problems since its inception. After historic marches and armed confrontation, the government passed Law 180, which put a stop to further infrastructure projects in this unique ecosystem. In 2012, after a 'Consulta Previa' process (which is unusual, since the decision to proceed with the road construction had already been approved), the government revoked Law 180, arguing that the road project would bring needed health care, education and development to the region. It is important to point out that this road initiative will clearly benefit the coca-producing inhabitants of TIPNIS, since it passes directly through their communities and is actu-

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TODAY'S NEWS

POLITICAL

Macron Meets With Venezuelan Opposition Leaders

French President Emmanuel Macron met in Paris with leaders of Venezuela's opposition. Absent from the meeting was Lilian Tintori, the wife of opposition leader Leopoldo López, who was prevented from leaving Venezuela.

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BUSINESS

Banco do Brasil Seeks to Sell Stake in Neoenergia

The state-controlled bank has a 9 percent stake in the Brazilian power utility.

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POLITICAL

Colombian Gov't, ELN Rebels Sign Cease-Fire

The government of Colombian President Juan Manuel Santos and the National Liberation Army, or ELN rebels, signed a temporary cease-fire that takes effect Oct 1. The deal came ahead of Pope Francis' visit to Colombia.

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Santos // Photo: Colombian Government.

POLITICAL NEWS

Colombian Gov't, ELN Rebels Sign Cease-Fire

Colombia's government and the country's National Liberation Army, or ELN, rebels on Monday signed a temporary cease-fire agreement, The Washington Post reported. The agreement was Colombia's first cease-fire with the ELN and came just ahead of a visit by Pope Francis

“The pope will arrive at a unique moment in our history, when we are turning the page of an absurd conflict and we are looking toward the future.”

— Juan Manuel Santos

to the South American country. The cease-fire, which was signed in Quito, is set to begin on Oct. 1 and last until Jan. 12. Under the deal, the rebels, who have for decades engaged in attacks on civilians and oil pipelines, as well as kidnappings and extortion, agreed to halt those activities. In return, Colombia's government agreed to provide improved conditions to jailed ELN rebels and as well as bolstered security for leftist community leaders, the newspaper reported. Colombian President Juan Manuel Santos announced the cease-fire on Monday, saying the deal came together in part to honor Pope Francis, who arrives Wednesday afternoon in Colombia for a five-day visit. “The pope will arrive at a unique moment in our history, when we are turning the page of an absurd conflict and we are looking toward the future,” said Santos. The Catholic Church under Francis, the first Latin American pope, has increased its diplomatic efforts in the region. The Vatican helped the thaw in relations between the United States and Cuba in 2015 and has also tried to bring together Venezuela's government and the country's opposition. Francisco de Roux, a

priest who is a member of Francis' Jesuit order, has helped broker the negotiations between Colombia's government and the ELN, The Washington Post reported. The rebel group for years was led by Catholic priests, but de Roux has called on the rebels to end its violence. “Kidnapping doesn't destroy capitalism, nor does it destroy imperialism. It destroys the kidnapper and the kidnapped,” de Roux previously said. The cease-fire with the ELN came nine months after the government signed a peace accord with the larger Revolutionary Armed Forces of Colombia, or FARC, rebels.

Macron Meets With Venezuelan Opposition Leaders

French President Emmanuel Macron met Monday with Venezuelan opposition leaders to discuss the country's humanitarian and political crisis, the Associated Press reported. The meeting happened two days after Venezuela's government barred the activist and wife of opposition leader Leopoldo López, Lilian Tintori, from leaving the country in order to attend the meeting in Paris. Venezuelan Foreign Minister Jorge Arreaza on Monday said he filed complaints with the ambassadors of four countries, saying they were intervening in



Venezuelan National Assembly President Julio Borges met Monday with French President Emmanuel Macron (L-R) in Paris. // Photo: @JulioBorges.

Venezuela's affairs. Tintori tweeted a photo of the Spanish, German and Italian ambassador to Venezuela at the airport, saying they had accompanied her, Reuters reported. “These types of expressions are absurd and offensive to the functioning of Venezuelan democracy

NEWS BRIEFS

Irma Strengthens to Category 5 Hurricane, Takes Aim at Caribbean

Hurricane Irma this morning strengthened to an “extremely dangerous” Category 5 hurricane, with sustained winds of 175 miles an hour, the U.S. National Hurricane Center said. As of 8 a.m. Eastern Time, the storm was located 270 miles east of the island of Antigua, moving west at 14 miles an hour. Hurricane warnings are in effect for parts of the Dominican Republic as well as Puerto Rico and other islands.

Trump Expected to Revoke Program for Immigrants Who Migrated as Children

U.S. President Donald Trump is expected today to revoke a program that shields some immigrants who came to the United States as children from deportation, leaving their fate in the country to Congress, which would have six months to design a new program addressing the policy, Reuters reported. The expected decision would mean a six-month extension of the Deferred Action for Childhood Arrivals, or DACA program, while Congress works on creating a replacement. DACA was created under former President Barack Obama in 2012 after Congress failed to pass legislation that would provide a path to citizenship for undocumented youth.

Banco do Brasil Plans to Sell Stake in Neoenergia

State-controlled Banco do Brasil plans to sell its 9 percent stake in Brazilian power utility Neoenergia, which is working on an initial public offering in the coming months, Reuters reported Sept. 1. In a securities filing on Sept. 1, Banco do Brasil said both management and board members have authorized Neoenergia to begin the procedures for the IPO. The IPO could value the company at approximately 35 billion reais, Reuters reported in July.

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ally on the other side of the TIPNIS territory, which is where most of the indigenous communities who have the most to gain from the development that this road would bring are living. In mid-2016, Morales promulgated Law 266, which now opens the area for road construction and other projects. There is an alternative option to this needed road, connecting Cochabamba to Beni, via another route that would clearly benefit the majority of the indigenous communities inhabiting that area and sustaining the eco-sustainability integrity of the area. China has become a key and strategic partner for Bolivia in infrastructure, with close to 100 state-owned enterprises operating there. Over the past few years, China has pledged a \$10 billion line of credit for government projects, which included nine major roads; the creation of a massive hydroelectric plant; the expansion of the Santa Cruz international airport; and the construction and expansion of the El Mutún steel plant. The issue to consider in this relationship is the exposure it brings to the country through increased indebtedness with China and reliance on foreign capital that serves its creditor's excessive extraction resources needs."

A **Kevin P. Gallagher, professor of global development policy and director of the Global Economic Governance Initiative at Boston University:** "Bolivia is facing a major infrastructure gap and still has a significant number of people living in poverty, although under Evo Morales poverty and inequality indicators have improved. Infrastructure has the potential to bring economic growth. However, it is not clear that Bolivia has adequate safeguards to prevent and mitigate the social and environmental risks associated with projects such as TIPNIS. Without adequate safeguards and attention to prior informed consent of the communities, and without serious environmental impact assessments, the risks associated with projects like these may be greater than the

benefits. If they are pushed through anyway, the project winners will be timber exporters, agribusiness, coca growers and mining products. The losers may be the communities of the Amazon, civil society in general, the environment and prospects for long-term economic growth."

A **Linda Farthing, La Paz-based researcher and writer:** "President Evo Morales' government's recent decisions to remove protected status from an indigenous reserve and national park and to build an electric train for Bolivia's fourth-largest city, Cochabamba, speaks to the predicament at the heart of his 11-year-old government. The quandary pits an oft-stated commitment to environmental and indigenous rights against the constant pressure for the country to

“**The expansion of what was an almost nonexistent road infrastructure is critical to the government's development plans.**”

— Linda Farthing

catch up after 500 years of underdevelopment and poverty. Under Morales, Bolivia rode the 2000s commodity boom to a tripling of both its economy and government, leading to a 10 percent spike in the middle class and one of the region's highest drops in poverty and inequality. In 2017, Bolivia has one of the region's top growth rates. But while these remarkable achievements show that the government's model has proven largely successful in the short term, the approach is grounded in perpetuating and intensifying historic patterns of exploiting the country's abundant natural resources. The expansion of what was an almost nonexistent road infrastructure is critical to the

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and its institutions," said Arreaza, the AP reported. Julio Borges, the president of the opposition-led National Assembly, and Freddy Guevara, the first vice president of the legislature, plan to continue with meetings scheduled this week with European leaders. The meetings are aimed at increasing pressure on President Nicolás Maduro to hold elections, respect the balance of power in the government and allow humanitarian aid into the country. "Dozens of countries have offered free food and medicine and it's unbelievable that the main obstacle is [the] government, the one that is supposed to defend the rights of the Venezuelan people," Borges said. Following the meeting with opposition leaders, Macron's office in a statement condemned what he called the repression of the opposition, and said that he was ready to push for European sanctions against the Maduro administration.

ECONOMIC NEWS

Negotiators Seek to Enshrine Mexico's Energy Reforms in Renegotiated NAFTA

U.S., Canadian and Mexican NAFTA negotiators are looking for ways to make sure Mexico's reforms to its energy sector, which were enacted in 2014, are preserved in the updated North America Free Trade Agreement, Mexico's top negotiator, Kenneth Smith, said Saturday, Reuters reported. Mexico's energy reforms opened up the sector to private investment, and negotiators are hoping to preserve the changes by incorporating them into the agreement, protecting the reforms from any reversals by future administrations. "We're working in this sense, analyzing all of the elements that need to be included in the energy discussion to reflect the reform Mexico established," Smith said, following a bargaining session during the second round of renegotiation talks. When NAFTA was first enacted in 1994, Mexico's energy sector was closed to outside investors.

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government's development plans. Eliminating protected status for a reserve so that the long-isolated cattle-ranching northeast can link to markets further west will strengthen that region's economy. But the road will also permit hydrocarbon and mining projects, which throughout Bolivia's history have harmed the environment and vulnerable rural indigenous populations. Cochabamba, according to the World Health Organization, has among the region's worst air quality, due to rapid population growth combined with an explosion in car ownership belonging to the burgeoning middle class. The government-financed investment in a nonpolluting train will enhance air quality, particularly improving the lives of poor residents, but financing will come from mining and hydrocarbon revenues. No easy solution exists to Bolivia's dilemma. Perpetuating the emphasis on resource extraction and pushing sustainability to the back burner is short-sighted. A strategy subject to great price volatility, it addresses pent-up demands, but fails to provide a sustainable development model for one of South America's poorest countries."

A **Jaime Aparicio-Otero, former Bolivian ambassador to the United States:** "The great quandary into which public investment in Bolivia has stumbled is due to poor management. From the central government, works have been executed without short- or long-term planning. In addition, cases of corruption in public works are rampant in Bolivia. Since 2006, Morales has benefited by being president during a time of high commodity prices, which have driven unprecedented economic growth in Bolivia. The bonanza allowed the government to waste the revenues gained in the commodities boom through superfluous spending. The five sectors that are considered to be strategic to the Plurinational State absorb 62 percent

of the investment spending. Health and education are considered to be subsectors. Moreover, most of the transportation and electricity infrastructure construction public works were awarded to Chinese companies,

“ This is not only about opening the park to timber and mineral companies, but mainly a question related to coca...”

— Jaime Aparicio-Otero

without transparency. But even leaving aside the possibility of corruption and the risk of mortgaging Bolivia's future to China, most of these projects have been also been plagued by delays and difficulties. Concerning the road through the TIPNIS park, it should be said that this is not only about opening the park to timber and mineral companies, but mainly a question related to coca, to the expansion of its crops, which will lead to an increase in the production of cocaine. The construction of an international airport in Chapare, an area where coca is cultivated and that has little feasibility for the commercial air business, is part of the same strategy. The mere fact that it is categorized as an international airport (for 30,000 inhabitants) will make it difficult to recover the investment. As the journalist Mac Margolis rightly points out: Morales 'sees the park highway as a possible road to redemption, built by currying favor with bootleg loggers and one of his most faithful constituencies: Bolivia's coca farmers."

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