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## FEATURED Q&A

# Will China Transfer More Technology to Latin America?



China in recent years has seen progress in areas including agricultural technology, such as seed production and water-saving irrigation. // Image: DrRandomFactor via Creative Commons.

**Q** China's experience in developing technology could make the country an important partner in helping Latin American countries diversify their economies, according to an Oct. 20 report by the Economic Commission for Latin America and the Caribbean (ECLAC). How willing is China to share its expertise? Which countries in Latin America would benefit the most? To which sectors of Latin America's economies should China provide targeted assistance? What economic lessons—and warnings—should Latin American countries learn from China?

**A** Guo Cunhai, founder La Comunidad de Estudios Chinos y Latinoamericanos (CECLA) and associate research fellow at the Institute of Latin American Studies of the Chinese Academy of Social Sciences (ILAS-CASS) in Beijing: "For a long time, China's trade with Latin America and the Caribbean has lacked structural diversity, with large trade deficits for LAC countries. This has become a sensitive element in the China-LAC relationship. China is certainly willing to help the LAC countries to diversify their exports. In July 2014, when President Xi Jinping visited Brasília, he mentioned the concept of a 'shared destiny' between China and Latin America, under which China's relationship with the region can be sustainable and harmonious. China is in the process of transition and deepening reforms. The 13th five-year plan (2016-2020) launched in the fifth plenary session of the 13th CPPCC meeting has emphasized the need to foster technological innovation as a new driver for development, with the focus on intelligent

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## TODAY'S NEWS

### POLITICAL

## Middle East, Latin American Leaders Gather for Summit

Among the leaders taking part in the summit are Venezuelan President Nicolás Maduro and Ecuadorean President Rafael Correa.

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### ECONOMIC

## Cuba Planning New Gulf Oil Exploration

Cuba is planning new oil exploration in the Gulf of Mexico after four exploratory wells failed to find oil that is commercially viable. An official of the state oil firm said the new drilling is to happen next year or in 2017.

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### POLITICAL

## Venezuela Failing to Ensure Fair Vote: OAS Chief

Venezuela's government has numerous unfair advantages in the country's Dec. 6 legislative elections, OAS Secretary General Luis Almagro told the head of Venezuela's electoral council in a letter.

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Almagro // File Photo: Organization of American States.

## POLITICAL NEWS

## Venezuela Failing to Ensure Fair Vote: OAS Chief

Venezuela's government is failing to ensure that the country's Dec. 6 legislative elections will be fair, the secretary general of the Organization of American States said Tuesday in a [letter](#) to the head of South American country's electoral board. "If you do not provide mechanisms to ensure an observation with the fullest guarantees for it to function, then you would be failing in obligations that are the essence of the guarantees you are required to provide," Luis Almagro wrote to National Electoral Council head Tibisay Lucena. "There are reasons to believe that the conditions in which the people will vote on December 6 will not enjoy the level of transparency and electoral justice that you, at the National Electoral Council, should guarantee." Almagro said Venezuela's ruling party, which polls suggest could lose control of the National Assembly, has numerous advantages including the use of public resources for campaigning and the disqualification of some opposition leaders, including Leopoldo López.

López has been jailed since February 2014 and in September was sentenced to 14 years in prison after being convicted of inciting violence during last year's anti-government protests. The OAS has sought to send election observers to Venezuela, but the government has refused, allowing only the Union of South American Nations to observe the balloting. Venezuelan President Nicolás Maduro has denied that his party has an unfair electoral advantage and has dismissed the OAS as a puppet of the United States.

## ECONOMIC NEWS

## Insurers Facing \$600 Mn in Claims After Dam Bursts

Insurers face as much as \$600 million in claims related to the deadly bursting of two dams last week in Brazil, Reuters reported, citing a source familiar with the matter. The dams' owner, Samarco Mineração, has policies with Zurich-based ACE and Germany's Allianz SE. The incident in Minas Gerais state left at least six people dead and 21 unaccounted for.

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manufacturing. At the same time, the first China-CELAC Forum in Beijing established six key areas of cooperation, with two of them involving development of technology (science and technology innovation, information technology). Chile, Brazil, Argentina, Mexico, Ecuador, Peru, Costa Rica and Caribbean states will be the biggest beneficiaries of this policy. China's technology assistance should target each country according to local conditions, such as providing technical assistance and investment in the agri-food industry in Brazil, Argentina and Peru; providing technology in integrated security services in Venezuela, Mexico and Brazil; and building financial-services platforms and e-commerce platforms in Trinidad and Tobago and other Caribbean states. China's

own experience in technology development shows that Latin American countries need to use foreign capital and technology selectively, while developing their own technology. To achieve this, they need to cultivate a number of technical and industrial clusters, to build up the scale to support the relevant industries and value chains."



**Margaret Myers, director of the China and Latin America Program at the Inter-American Dialogue:** "Technology transfer

hasn't traditionally been and still isn't a major priority for many Chinese companies operating in Latin America. So many, including telecommunications giant Huawei, have struggled just to make a profit in the region.

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## NEWS BRIEFS

## Latin American, Middle Eastern Heads of State Gather in Saudi Arabia

Heads of state from the Middle Eastern and Latin American countries arrived Tuesday for a summit in Saudi Arabia with the goal of increasing trade and strengthening policy coordination between the two regions, the Associated Press reported. Saudi King Salman opened the summit by commending Latin America's foreign policy stances and the recognition by many Latin American states of the state of Palestine. The gathering is the fourth Arab-South American summit since the first summit in 2005.

## FARC to Stop Buying Guns, Ammunition: Timochenko

The leader of Colombia's FARC rebel group, Rodrigo Londoño Echeverri, or Timochenko, said he ordered the rebel force to stop buying guns and ammunition on Sept. 30, BBC News reported today. Timochenko said the order was a gesture to show the group's commitment to deescalating the conflict between the rebels and the Colombian government. This month marks three years that the two sides have been engaged in peace talks.

## Experts Eye Tax to Bolster Guatemalan Prosecutors' Offices

A group of experts suggested Tuesday that Guatemala impose a transitory tax, the proceeds of which would go to strengthening prosecutors' offices in the country, where rule of law is notoriously weak, the Associated Press reported. The head of the U.N. anti-impunity commission, which helped uncover a corruption scandal that allegedly involved the former president and vice president of Guatemala, said a similar tax was used to finance the 1996 peace accords.

## Cuba Planning New Gulf Oil Exploration

Cuba is planning a new oil exploration in the Gulf of Mexico after four exploratory wells failed to find commercially viable oil, a Cuban official said Monday, Agence France-Presse reported. The newest round of drilling is expected to start in late 2016 or early 2017, said the head of offshore exploration at Cuba's state-owned oil company Cupet, Osvaldo López. He said drilling in deeper areas may prove to be more lucrative for Cuba. International experts believe that Cuba's exclusive economic zone in the Gulf of Mexico, which covers 112,000 square kilometers, holds five to nine billion barrels of oil. The Cuban government, however, estimates that there are as many as 15 billion

**Cuba currently produces 25 million barrels of oil per year from land and offshore drilling.**

barrels of undiscovered reserves in the area. Currently, Cuba produces 25 million barrels per year of oil from land and offshore drilling, which covers about half of the island nation's annual demand for oil. The other half is supplemented by oil from Venezuela, which Cuba imports on favorable terms. Last month, Cupet said it would be willing to negotiate exploration deals with U.S. oil companies, as well.

### BUSINESS NEWS

## YPF Ordered to Disclose Details of Chevron Deal

Argentina's Supreme Court Tuesday ordered state-owned oil company YPF to disclose

## COMINGS & GOINGS

### Raízen Names Guimaraes New Chief Executive

Brazilian sugar and ethanol group Raízen, announced Tuesday that Luís Henrique Guimaraes will serve as the group's new CEO starting in April 2016, Reuters reported. Raízen is a joint venture between Royal Dutch Shell PLC and Cosan SA Industria e Comercio. Its current CEO, Vasco Dias, will step down on March 31, which is the day that marks the first day of Brazil's sugar crop for the year. This comes at a time when Brazil's ethanol sector's debt has begun to exceed its annual revenue, Reuters reported.

### Nomura Taps Caperonis for Securities Division

Japanese bank Nomura Holdings hired Michael Caperonis, the head of Citigroup's equity trading for the Americas, for a leadership role in Nomura's securities division, Bloomberg Business reported, citing an unnamed source close to the matter. Caperonis will serve as head of equities and credit trading for the Americas. Following Caperonis' exit, Citigroup's Americas equities trading unit will report to Dan Keegan and Kevin Russell.

### Canada's Trudeau Selects Cabinet Members

Canada's new prime minister, Justin Trudeau, named a new cabinet on Nov. 4, The Guardian reported. The cabinet has a 50/50 gender balance, the first in Canada's history. Trudeau named Stéphane Dion the minister of foreign affairs, Chrystia Freeland the minister of international trade, Marie-Claude Bibeau the minister of international development and Catherine McKenna the minister of environment and climate change, among others. Dion's previous experience includes serving as environment minister under Prime Minister Paul Martin. Freeland was a former journalist and a Rhodes Scholar. Bibeau previously worked at the Canadian International Development Agency. McKenna is a lawyer who focused on international trade and competition, and was a legal advisor and negotiator for the United Nations peacekeeping mission in East Timor. [Editor's note: See [Q&A](#) on Canada's elections in the Oct. 21 issue of the Advisor.]



Trudeau // File Photo: Canadian Government.

clauses of an investment deal made with U.S. oil company Chevron for producing oil and gas by hydraulic fracturing the Vaca Muerta shale formation, the Associated Press reported. The decision came after YPF refused to disclose environmental information surrounding the project in the southern province of Neuquén. Argentine Senator Hector Giustiniani requested the disclosure, alleging that the deal contained secret clauses, including a "commitment that

would force the country to hand over the rights to the third-largest deposit of unconventional oil and gas for the next 35 years." He also said one clause would allow Chevron to collect royalties on the shale deposit even it decided to terminate its involvement in the deal. The government has said that the deal was transparent and constitutional, and then-Cabinet Chief Jorge Capitanich last year denied the existence of any "secret clauses."

## FEATURED Q&amp;A / Continued from page 2

But after decades of experience in foreign markets, some are effectively embracing local partnership, technology transfer, local skills development and corporate social responsibility. The transfer of technology is an important aspect of State Grid's strategy in Brazil, for example. The company's projects at Teles Pires and Belo Monte showcase long-distance ultra-high-voltage transmission lines, which China has taken a lead in developing. Limited transfer of China's military and space-related technology transfer is also fairly common in Latin America. China has provided satellites and related training to Venezuela, Brazil, Argentina and Bolivia. And China shares its Neuquén-based deep space research facility with Argentine scientists. Technology has also been known to flow the other way. Chinese agri-firm COFCO sought guidance on wine production from Chile to improve its Great Wall brand. Looking ahead, China would seem rather committed to helping the region to improve production capacity. China's recently-announced '3x3' strategy promises Chinese financial assistance for developing logistics, power and information industries in Latin America. And the Sino-Latin American Production Capacity Cooperation Investment Fund will evidently commit \$10 billion for manufacturing, technology, agriculture, energy, finance and infrastructure projects in Latin America. This is all potentially promising, although it remains to be seen whether China is heralding new activity or effectively repackaging existing deals in these sectors."

**A** **Matt Ferchen, resident scholar at the Carnegie-Tsinghua Center for Global Policy in Beijing:** "First, it's important to note that ECLAC's new report is about the region's trade crisis. This crisis is directly linked to China's own economic slowdown and changing growth model, both of which have affected the volume and price of some key Latin American commodity exports to China. This is in stark contrast to earlier ECLAC reports that emphasized the positive role that

Chinese demand played in minimizing the impact of the global financial crisis on the region. The commodity boom, and what I've been calling the 'easy phase' of China-Latin America relations (although they were clearly never that easy), is now obviously over and Latin America is dealing with the hangover. The end of the commodity boom

“**The commodity boom, and what I've been calling the 'easy phase' of China-Latin America relations ... is now obviously over, and Latin America is dealing with the hangover.**”

— Matt Ferchen

provides the background and an explanation for why Latin American and Chinese officials and businesspeople are now more actively discussing ways to cooperate on new forms of trade and investment, including infrastructure and more high-tech trade. However, the likelihood that China will transfer any of its key manufacturing technologies to Latin America is very limited since this would undercut China's own competitiveness. That said, technological upgrading in agricultural and food-based export industries is one area where cooperation is possible since Chinese demand for imports in this sector will likely remain strong. The ECLAC report argues that Latin America can learn from Chinese 'long-term visions' and state support for technological upgrading, yet Chinese concerns about insufficient 'innovation' and inefficient state-owned enterprises should lead to more careful evaluations of the real sources of China's economic dynamism past and present."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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**Erik Brand**

Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Nicole Wasson**

Reporter, Assistant Editor  
[nwasson@thedialogue.org](mailto:nwasson@thedialogue.org)



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1211 Connecticut Avenue NW, Suite 510  
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**Phone:** 202-822-9002

**Fax:** 202-822-9553

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Subscription Inquiries are welcomed at  
[freetrial@thedialogue.org](mailto:freetrial@thedialogue.org)

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