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## FEATURED Q&A

# Is Brazil Committed to Curbing Illegal Mining in the Amazon?



Authorities have been documenting environmental destruction in Brazil's Amazonas state as a result of illegal mining activity. // File Photo: Ibama.

**Q** Brazil's federal police last month set 131 boats along with at least 60 mining dredges used by illegal gold miners on fire on the Madeira River in the Brazilian Amazon, aided by the Brazilian Navy and the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama). The operation aimed to deter a gold rush around the Amazon River's largest tributary, and was an unexpected response from President Jair Bolsonaro, who has to date refrained from addressing illegal mining activity. Will Bolsonaro's crackdown on illegal gold mining significantly deter the practice? Will illegal logging and poaching in the Brazilian Amazon also be targeted? What are the environmental consequences of the illegal extraction of natural resources in the Amazon, and what policies can the Brazilian government implement to effectively put an end to it?

**A** Suely Mara Vaz Guimarães de Araújo, senior public policy specialist at the Climate Observatory and former president of Ibama: "The Bolsonaro government has been encouraging illegal mining since the beginning of its administration. The president's narrative romanticizes the mining carried out almost individually, without any concern for following environmental legislation. At the same time, it constantly delegitimizes the environmental agencies responsible for inspection. It is very complicated, and it comes close to an apology for illegal activities. I do not believe that this reality will be reversed under the Bolsonaro government. His administration sporadically strengthens enforcement to respond to international pressures, but generally continues with the process of dismantling environmental policy.

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## TODAY'S NEWS

### POLITICAL

## Gang Releases 12 Remaining U.S. Hostages in Haiti

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### ECONOMIC

## Mexico's Central Bank Hikes Rates to Curb Inflation

In an effort to curb rising inflation, Mexico's central bank raised interest rates Thursday by a higher-than-expected 50 basis points to 5.50 percent.

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### POLITICAL

## Chileans Head to the Polls Sunday to Elect a President

Chileans will choose a new president on Sunday with José Antonio Kast, a far-right conservative, running against Gabriel Boric, a leftist former activist, in a tight race with some polls showing the candidates within the margin of error against each other.

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Boric // File Photo: via Twitter at @gabrielboric.

## POLITICAL NEWS

## Chileans Head to the Polls Sunday to Elect a New President

Chileans will elect their next president on Sunday with Jose Antonio Kast, a far-right conservative, running against Gabriel Boric, a leftist former activist, in a tight race with some polls showing the candidates within the margin of error against each other. Both candidates have been courting centrist voters. Local headlines today have focused on the implications of the death of the widow of former dictator and President Augusto Pinochet, Lucia Hiriart, who passed away at the age of 99 on Thursday. Kast ruled out attending the funeral, saying he has not been a close friend of the family, La Tercera reported. Boric, for his part, has been a strong critic of the Pinochet era, saying that Hiriart died “in impunity despite the pain and



Kast // File Photo: Kast Campaign.

division she caused our country,” according to the newspaper. Voter turnout, which is expected to be low, could determine the winner, Al Jazeera reported. Kast, 55, has the advantage with voters over 50 years old, while Boric, 35, has an advantage with voters under 30. Meanwhile, the Associated Press has reported that a large gender gap could determine the outcome of Sunday’s election. Recent polls show that women and young voters overwhelmingly favor Boric, sometimes by as much as 20 points. However, outside the capital of Santiago, where traditional gender roles have changed less, it is unclear how deep support for Boric is among women, according to the report. Other analysts say the key could be geographic, with the cities

in the northern parts of the country holding sway in the election’s outcome. In Antofagasta, the most populous municipality in northern Chile with some 300,000 residents, turnout was 5 percent under the national average in the first round, and outsider candidate Franco Parisi won with nearly 34 percent. Kast and Boric both finished just shy of 21 percent support, Al Jazeera reported. [Editor’s note: See related [Q&A](#) in the Nov. 23 issue of the Advisor.]

## Gang Releases 12 Remaining U.S. Hostages in Haiti

A criminal gang in Haiti on Thursday released all 12 remaining Christian missionaries who were held captive for ransom for more than two months, the Miami Herald reported. The missionaries were kidnapped by the 400 Mawozo gang on Oct. 16. There were five children in the group of 16 U.S. citizens and one Canadian, including an 8-month-old, according to the Associated Press. The gang had reportedly demanded \$1 million per person for their safe return. Five of the hostages were released in recent weeks. It remains unclear if any ransom was paid. In Washington, White House Principal Deputy Press Secretary Karine Jean-Pierre praised the law enforcement work and Haitian officials who helped free the hostages. “We welcomed reports that they are free and getting the care that they need after their ordeal,” she said. Haitian national police brought the missionaries to the Port-au-Prince airport Thursday afternoon from Christian Aid Ministries’ campus in Titanyen. Nearly 200 criminal gangs control more than half the nation’s territory, The Wall Street Journal has reported. At least 41 U.S. citizens and legal permanent residents have been kidnapped for ransom in Haiti this year, according to the U.S. State Department. Earlier this year, a coalition of gangs called G9 blocked access to Haiti’s main fuel terminal, causing shortages across the country. The high price and scarcity of fuel likely contributed to the deaths this week of at least 70 people when a fuel tanker truck overturned in Haiti, resulting in a fireball. [Editor’s

## NEWS BRIEFS

## Guyana Submits Local Content Bill to Congress

Guyana’s government on Thursday submitted a long-awaited Local Content Bill to the National Assembly, setting out the minimum percentage of employment and goods and services procurement reserved for locals from the country’s nascent energy sector, Stabroek News reported. The bill “seeks to negotiate a tradeoff” between oil sector investors and Guyanese nationals and companies involved in the petroleum sector, the measure states.

## U.S. Delays Approval of Refinery Sale to Pemex

Royal Dutch Shell on Thursday confirmed that the sale of its interest in a the Deer Park refinery in Texas to Mexican state oil company Pemex is delayed until next year, Reuters reported. The U.S. government’s Committee on Foreign Investment in the United States, which reviews the national security implications of foreign investments in U.S. companies, is now expected to make a decision on the deal by Jan. 13. Earlier this month, Bloomberg reported that Pemex could end up spending about \$1.6 billion to take over the Deer Park refinery, more than twice the price announced in May.

## Santander to Invest \$6 Billion on Digital Assets in Latin America

Spain-based bank Santander said this week it will invest around \$6 billion between 2022 and 2024 to promote digital transformation of its Latin American operations, Reuters reported Thursday. Around 40 percent of Santander’s profits come from Latin America, with Brazil being its biggest market there. The region has become more significant to the Madrid-based lender as a source of underlying attributable profit over the past five years, rising to 53 percent in 2020 from 40 percent in 2016, according to S&P Global.

note: See [Q&A](#) related to Haiti in the Oct. 21 issue of the Advisor.]

## ECONOMIC NEWS

## Mexico's Central Bank Hikes Rates to Curb Inflation

In a bid to tame spiking inflation, Mexico's central bank on Thursday raised interest rates by a higher-than-expected 50 basis points to 5.50 percent, Banxico said in a statement. Inflation is not unique to Mexico, it is being felt globally, in large part due to bottlenecks in production and global supply chains that cannot keep up with demand, the bank noted. In November, Mexican inflation accelerated quicker than expected to 7.37 percent, its highest level since 2001, Reuters reported. The rate hike puts Mex-

**Goldman Sachs characterized the rate hike as a "hawkish surprise."**

ico on the path to reach its inflation target of 3 percent, the bank, also known as Banxico, added. Goldman Sachs characterized the rate hike as a "hawkish surprise," given that most market analysts predicted the central bank would raise interest rates by only 25 basis points. Analysts at the New York-based investment bank predict that Banxico will drive interest rates up even further in the new year. "We expect the [central bank] to drive the policy rate further up in 2022, to 6.50 percent, in part due to our forecast that following hawkish signals the [U.S. Federal Reserve] will liftoff in March and hike three times next year," Goldman Sachs economist Alberto Ramos said in a client note circulated Thursday. "Given that backdrop, we would not be surprised if Banxico waits for the [U.S. Fed.] to hike again," Ramos added.

## THE DIALOGUE CONTINUES

### How Much Will Latin America's Economies Grow in 2022?

**Q** The past year has brought economic recovery for much of Latin America and the Caribbean due to the rollout of vaccines, favorable external factors and the reopening of some international borders. While the International Monetary Fund estimates that the regional real GDP will grow by 6.3 percent by the end of the year, the lender also notes that it will take several years for the state of the region's economies to reach pre-pandemic levels. Which countries struggled to recover in 2021, and what will it take for them to return to pre-pandemic levels of growth? What is the outlook for Latin America and the Caribbean's main economic indicators for 2022? What events and policies have been the most important for the economic recovery of the region, and how significant have increasing remittances been for the improvement of low- and middle-income countries?

**A** Alfredo Coutiño, director of Latin America at Moody's Analytics: "Latin America ended 2021 with the traditional post-recession rebound, with growth amplified by the base effect generated by the low comparison base in 2020. Growth is ending the year at around 6.5 percent, after a 7 percent contraction in 2020. The recovery was naturally heterogeneous across countries, where growth was faster and higher in nations that used economic policy to reduce the impacts of the pandemic by mitigating the effects on people and businesses. A small group of countries has already reached and outpaced the pre-pandemic levels of production, including Chile, Colombia and Peru. Chile is an impressive case, where the economy is already performing above its potential

capacity, thus running the risk of overheating. Meanwhile, Brazil and Argentina are close to pre-pandemic levels. Another group, including Mexico, Uruguay, most of Central America and the rest of South America, is still performing below pre-pandemic levels and will take a few more quarters to recover the output lost. This requires restoring the accumulation of capital through accelerating investment. Unfortunately, most of the coun-

**“The region is mostly at the mercy of the global recovery in 2022.”**

– Alfredo Coutiño

tries were already caught off guard by the early arrival of the monetary normalization and are trapped in an inflation inertia. Prospects for 2022 are on the downside given the galloping inflation, imminent restrictive global conditions and increasing financial turbulence. The region faces a significant reduction of its countercyclical policy power (fiscal and monetary), leaving the economies subject to the ups and downs of the global economy. Fortunately, the United States is expected to continue recovering, given the significant investment in infrastructure projects to be implemented in the coming years. Thanks to that, remittances will continue to support low-income Latin American families with higher propensity to consume. The region is mostly at the mercy of the global recovery in 2022."

**EDITOR'S NOTE:** The above is a continuation of the [Q&A](#) published in Monday's edition of the Advisor.

## FEATURED Q&amp;A / Continued from page 1

The result has been an explosion of deforestation and degradation in the Amazon and other biomes.”

**A** **Mariano Machado, senior analyst for the Americas at Verisk Maplecroft:** “Illegal mining in the Amazon is not new, but the current pace is. The central enabler has been political permissiveness, with President Bolsonaro as an outspoken advocate for expanding extractive activities inside the Amazon. This cascading sense of political sponsorship permeates controlling bodies and boosts these practices at once. Roraima provides an apt example of how far things can go: our data shows that illegal mines have multiplied 20 times since 2015, with the state registering gold exports despite having no legal mining concessions. Besides the obvious environmental consequences (such as mercury contamination), illegal mining ventures frequently bring crimes such as modern-day slavery, drug trafficking and contraband. Paper-based carbon receipts make it easy for gold from illegal mines to enter the formal market, seriously hampering supply chain due diligence. Our research shows that this is by no means limited to mining: our 2021 Human Rights Outlook indicates that Brazil is a global champion of land clearances and razing forests. Indeed, Amazon deforestation has increased in each of the three years Bolsonaro has been in power, mainly due to expanding agribusiness interests. However, illegal wood smuggling has also played its role, with the tree felling rate hitting 25 per second in 2020—and the most high-profile case allegedly involving former environment minister Ricardo Salles himself. Both land grabs and natural capital degradation are influenced by poverty, corruption and weak rule of law; once this laissez-faire environment gains momentum, the toolbox to curb it becomes severely diminished. Hence, companies sourcing from Brazil will need to sustain robust internal

project oversight to navigate a challenging compliance landscape packed with risk of association with environmental and human rights violations.”

**A** **Eduardo Viola, senior researcher at the University of São Paulo and professor of international relations at the Getúlio Vargas Foundation and the University of Brasília:** “Since his 2018 electoral campaign, Bolsonaro has promoted illegal gold mining in the Amazon, which has been growing exponentially during his administration. Last week’s public action reacted strongly against a new front at Rio Madeira. The scale of that case of illegal gold mining has been extremely impressive. The strong reaction of civil society and media affected Vice-President Hamilton Mourão, the Armed Forces and sectors of the cabinet that likely constrained Bolsonaro. But this action is likely an outlier rather than the beginning of a new trend. Illegal gold miners, loggers, deforesters and invaders of Indigenous territories are related to organized crime (including narcotrafficking) and corruption, and are a core part of Bolsonaro’s electoral base. It is therefore highly unlikely that Bolsonaro will crack down in a significant way on those sectors. The environmental consequences of the illegal activities in the Amazon are deleterious for the population and the forest: mercury contamination of the food chain with negative effects on human and animal health; incentives to wider illicit activities in society; the growing threat of ‘savannization’ of Eastern Amazonia with dramatic negative impacts in the hydrological cycle of South America; and the undermining of Indigenous territories that represent 30 percent of the Amazon and are the more preserved areas. Prospects for a new government starting in 2023 are growing according to all electoral polls, which tend to be much more rational in relation to environmental and climate policies, either from the center or center-left.”

## LATIN AMERICA ADVISOR

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

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**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](http://www.thedialogue.org)

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