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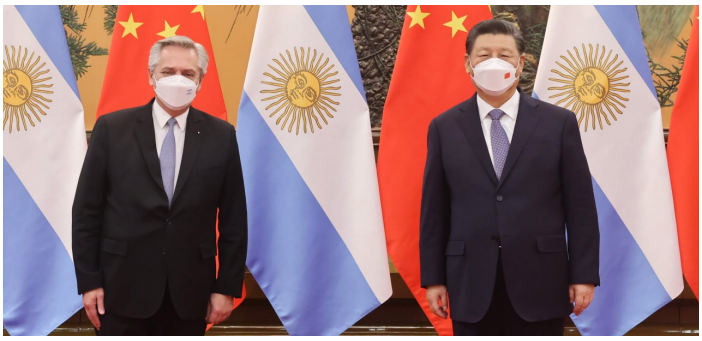
FEATURED Q&A

What Will Argentina Gain From More Chinese Investment?



Argentine President Alberto Fernández met earlier this month in Beijing with his Chinese counterpart, Xi Jinping. // Photo: Argentine Government.

Q During his recent visit to China, Argentine President Alberto Fernández signed financing and investment deals worth $24 billion and formally joined the Asian country's Belt and Road initiative. Just days before, China National Nuclear Corp. announced plans to invest $8 billion in the construction of a nuclear power plant near Buenos Aires. What does Chinese investment mean for Argentina's energy sector, and what's in it for China? What might the United States say about China's increasing inroads in the region? How will Argentina's neighbors react to this new level of cooperation? Are other Latin American countries expected to sign up for Belt and Road in exchange for billions in investments?

A Tara Hariharan, managing director of global macro research at NWI Management LP: "Energy deals between the two countries will most notably expand—with a boost to Argentina's wind and solar energy sectors, and China seeing increased exports of energy products, services and technology. More broadly, Argentina and China envision closer trade and investment ties, and have grown their bilateral currency swap agreement to augment Argentina's foreign currency reserves. Peru, Chile and Venezuela are Belt and Road members, as is Ecuador, which is now courting China for a free trade agreement and debt repayment extensions. However, Brazil and Mexico are not yet part of the initiative, and Latin America continues to be torn between economic allegiance to the United States or China. Led by the United States, the G7 nations in mid-2021 launched the so-called 'Build Back Better World' public-private initiative, advocating for infrastructure financing based

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Nicaraguan Court Convicts Seven More Ortega Opponents

A court in Nicaragua convicted seven more opponents of President Daniel Ortega, including three who had planned to run against him in last November's presidential election.

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POLITICAL

Colombia's ELN Rebels Injure Eight in Attacks

Guerrillas belonging to the National Liberation Army, or ELN, set fire to vehicles and blew up a bridge in a series of attacks in Colombia that left eight people wounded.

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BUSINESS

Brazil's Petrobras Shatters Record for Profit in 2021

Brazilian state-owned oil company Petrobras, led by CEO Joaquim Silva e Luna, reported record breaking profit of 106.7 billion reais ($21.3 billion) for 2021, more than twice its 2019 record.

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Silva e Luna // File Photo: Petrobras.

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POLITICAL NEWS

Nicaraguan Court Convicts Seven More Ortega Opponents

A court in Nicaragua on Wednesday convicted seven more opponents of President Daniel Ortega on charges of "conspiracy to undermine national integrity," the Associated Press reported. Among those convicted were Félix Maradiaga, Juan Sebastián Chamorro and Arturo Cruz Sequeira, a former Nicaraguan ambassador to the United States. The three had planned to run against Ortega in last November's presidential election. In the months leading up to the vote, which was widely criticized as a sham, Nicaraguan authorities arrested virtually anyone who could pose a serious challenge to Ortega. In all, nearly 50 Ortega opponents were arrested in the months leading up to the election. Cruz Sequeira, 68, and a former foreign affairs minister, Francisco Aguirre Sacasa, were among three detained members of the opposition who were suffering from health problems and were ordered to home confinement, the AP reported. Aguirre Sacasa was not among the seven convicted on Wednesday. Apart from the three presidential hopefuls, former Deputy Foreign Affairs Minister José Pallais, who was granted house arrest, business leader José Adán Aguerri, Violeta Granera and opposition leader Tamara Dávila, were convicted on Wednesday. Prosecutors are seeking prison sentences of between eight and 13 years in prison for them, and relatives and attorneys for the defendants have called the trials a farce, The Wall Street Journal reported. "It's a summary process that goes from charges to conviction to sentencing," Jared Genser, an international human rights attorney who represents Maradiaga and Chamorro, told the newspaper. "It's Kafkaesque," he added. Hugo Torres, a former Sandinista rebel leader who fought alongside Ortega but later broke with him, was among those arrested and died in custody on Feb. 11 at age 73. In the trials, Ortega opponents are being convicted "on ridiculous evidence, including publications on social networks and comments to the media," Moisés Martínez Mayorga, a journalist at the newspaper Confidencial in Nicaragua, told the Advisor in a **Q&A** published Tuesday. "The regime is betting on establishing a climate of fear and political submission that prevents the emergence of new leadership and eliminates any possibility of a new social outburst," he added.

BUSINESS NEWS

Brazil's Petrobras Shatters Record for Profits in 2021

Brazilian state-owned oil company Petrobras late Wednesday posted a record-breaking annual net income of 106.7 billion reais ($21.3 billion) in 2021, more than twice the company's 2019 record, Reuters reported, citing a securities filing. The figure was also significantly higher than a Refinitiv consensus estimate of 74.3 billion reais. The results were attributed to high prices for Brent crude and significant one-off boosts, including impairment reversions, success following an important tax dispute and asset divestments, Reuters reported. Petrobras also announced that it will be proposing a supplementary dividend of 2.861 reais per share in its April shareholders' meeting, where–if approved–the dividends relative to Petrobras' 2021 performance will reach an all-time record of 101.4 billion reais in total, Reuters reported. The company said Wednesday in its statement about remuneration to shareholders that the proposed dividend is "compatible with the company's financial sustainability and is aligned with the commitment to create value for shareholders and society." It added that in line with the proposal, "the complementary dividends will be paid in May." Petrobras' dividend payouts are attracting the attention of investors and market analysts, as the company had paused them for several years due to its high debt load, Reuters reported. Last November, Petrobras announced a new five-year plan in which it said it would invest $68 billion

NEWS BRIEFS

One Killed, Two Wounded as Police Open Fire on Demonstrators in Haiti

Police in Port-au-Prince opened fire Wednesday on demonstrators calling for higher wages, killing a reporter and wounding two other journalists, Reuters reported, citing witnesses and a hospital official. On Monday, Haitian Prime Minister Ariel Henry's administration increased the country's minimum wage as much as 54 percent after weeks of demonstrations by workers of the garment industry. The increase was far less than what union leaders have demanded in recent weeks, Reuters reported.

Colombia's ELN Rebels Injure Eight in Attacks

Guerrillas belonging to the National Liberation Army, or ELN, set fire to vehicles, detonated bombs that injured eight people, blocked roads and blew up a bridge on Wednesday, Reuters reported, citing a statement by the Colombian government. Wednesday was the first day of a three-day so-called "armed strike" by the leftist rebel group, in protest of the Colombian government's social and economic policies. The attacks occurred throughout the country, with the bridge detonation taking place in the Pailitas municipality in the Cesar province.

Mexico's López Obrador Denies Impunity in Killings of Journalists

Mexican President Andrés Manuel López Obrador on Wednesday denied that authorities are turning a blind eye toward the killings of journalists in the country, the Associated Press reported. "In all cases [the government] is acting. There is no impunity for state crimes," López Obrador said in reaction to a tweet Tuesday night by U.S. Secretary of State Antony Blinken, who expressed sympathy over the killings of at least five journalists so far this year in Mexico.

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through 2026. "Petrobras' new strategic plan reflects the company's priorities of continuing to develop offshore hydrocarbon resources and improving the returns' attractiveness to shareholders," Paola Carvajal, project manager at management consulting company Roland Berger, told the Dialogue's weekly Energy Advisor in a **Q&A** published Dec. 17.

Monterra Eyes Action Against Mexico Over Terminal Closure

Monterra Energy said Tuesday it plans to take legal action against the Mexican government for the closure of its Tuxpan fuel imports terminal in Veracruz state, Reuters reported. The Houston-based oil company, which is seeking $667 million in compensation, filed a "notice of intent to submit a claim of arbitration" after the Mexican government closed the terminal for five months, a move that it said was unlawful and discriminatory, according to the report. "Our preferred course of action is an amicable resolution, but the Mexican government's actions so far have left us with little choice but to pursue all legal options available," Arturo Vivar, the company's chief executive officer, told Reuters. Neither Mexico's energy regulator, CRE, nor its Ministry of Energy responded to the wire service's requests for comment, while Mexico's Economy Ministry refused to comment. The oil firm said its port in the Gulf of Mexico was shuttered "with no legal justification" last September after an inspection by Mexico's energy regulator. Mexico's energy reform proposals that heavily favor state-run energy companies are likely to put the country at odds with its international agreements, Earl Anthony Wayne, a former U.S. ambassador to Mexico told the Dialogue's weekly Energy Advisor in a **Q&A** published Feb. 11 on Mexican President Andrés Manuel López Obrador's efforts to reform the country's power sector. "The current [power sector] reform draft appears to violate key provisions of the 2020 U.S.-Mexico-Canada trade agreement (USMCA) by giving unfair advantages to state companies and undermining existing investments," Wayne said.

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on democratic values that would be more transparent and greener than Belt and Road. To this end, U.S. officials visited Colombia, Ecuador and Panama last fall to explore potential infrastructure investments. The United States may hope to persuade developing nations to disengage from funding by China, whose terms can be predatory, opaque and preempt global lending standards. Besides, China has slowed new Belt and Road investment globally since 2019, perhaps pivoting inward. However, the logistics of funding for Build Back Better World are still uncertain—it remains to be seen whether the United States and its allies can expediently offer Latin America (and emerging markets in general) credible alternatives to Belt and Road's $3.7 trillion global reach."

Jorge Heine, research professor at the Pardee School of Global Studies at Boston University, and a former Chilean ambassador to China: "Given that 21 Latin American and Caribbean (LAC) countries are already a part of China's Belt and Road Initiative, there is nothing surprising about Argentina joining, though it is the largest country in the region to do so thus far. The $24 billion package deal should not be overestimated either, as it includes many ongoing projects. Argentina does have enormous energy reserves, especially natural gas, but it desperately needs foreign investment in the sector. While the announcement of the construction of a new nuclear power plant is controversial, it will be welcome. For China, cementing links with South America's second-largest country is obviously an attractive proposition. China's growing presence in Latin America (Sino-LAC trade in 2021 reached $451 billion, a 40 percent increase year on year) does not go down well in Washington. That said, the fact that half of U.S. embassies in the region do not have an ambassador in place (Chile hasn't had one for four years) would not seem to indicate a great sense of urgency about increasing the United States' own presence in Latin America. Nature abhors a vacuum. Neighboring countries do not see Chinese investment in Argentina as a zero-sum game. The dominant view is that there is plenty of Chinese capital to go around for everybody, and signing on to Belt and Road, though welcome and actively promoted by Beijing, is not really a prerequisite for Chinese investment. Brazil has not signed on to it, and it has been the main (albeit declining) recipient of Chinese FDI for some time."

AMK Vereen, program assistant for the Energy, Climate Change & Extractive Industries program at the Inter-American Dialogue: "In recent years, Chinese firms have become core investors in Argentina's renewable energy. For example, in 2020, one of the region's largest solar plants went online in Jujuy province, having been built and financed by Chinese companies. China also plans to modernize some of the country's outdated transmission infrastructure, which will enable electricity generated by remote renewable resources to reach Buenos Aires and enhance grid resilience. Such investments will likely increase under the Belt and Road Initiative, as China can provide much-needed finance for Argentina's emissions-reduction and clean energy goals. While this represents a positive step in the energy transition, these projects must also contribute to sustainable economic development. Chinese-financed renewable energy projects in Argentina are currently developed largely with Chinese technology and human capital, and the state must place a greater priority on knowledge exchange and local job creation to foster green domestic growth. Additionally, if lithium production is increasingly managed by Chinese companies, Argentina may consider similarly adjusting policies to further capitalize on booming demand and to ensure that local communities benefit. Overall, faced with insurmountable debt, Argentina must

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continue to work with diverse partners going forward, including the United States, the IMF and China. For the United States, there are concerns over China's intentions in sharing nuclear technologies and increasing its dominance of the lithium-ion battery supply chain. For the IMF, the possibility that Belt and Road participation increases Argentine debt could agitate relations. Transparent negotiations will be essential to navigating these partnerships and jumpstarting a just, green recovery in Argentina."

Claudio M. Loser, president and CEO of Centennial Group Latin America and former head of the Western Hemisphere department at the International Monetary Fund: "The values involved in the various announcements made during President Alberto Fernández's visit are significant, as is Argentina's participation in the Belt and Road Initiative. However, they must be seen in perspective. The first point is that China represents about 17 percent of total new foreign investments in Latin America, an average of roughly $200 billion a year during the past decade. It may constitute a reason of concern for the United States, but the amounts involved in the recent agreements between China and Argentina—$23 billion—do not break existing trends. Of greater relevance is that the implementation of the various programs will take several years, so the impact of the additional investment may be more subdued than was first assumed. Also, Argentina joining the Belt and Road Initiative is not a first in the region. Twenty-one countries in Latin America and the Caribbean, including Peru and Chile, already have. Larger countries such as Brazil, Mexico and Colombia are not members, but they cooperate closely with China. Furthermore, China is unlikely to go ahead with the proposed projects unless Argentina puts its house in order, which means working more closely with the IMF. China is very concerned with the number of foreign projects it financed but that then went sour. Argentina certainly fits that pattern. Another big question mark hangs over the nuclear power plant project, given existing domestic knowhow. In sum, we need to see the details and execution in order to pass judgment."

Daniel Montamat, executive director at Montamat & Associates: "Argentina can do business with China as much as it can with the United States, or the European Union for that matter. It's not a zero-sum game. Argentina would benefit from more foreign direct investment and access to competitive international financing, with levels of risk equivalent to those of neighboring countries. But closer economic ties between Argentina and China, as President Alberto Fernández brought to new levels during his recent trip to the Asian country, will not get us there. Argentina negotiates in isolation, not as a region. We negotiate financing tied to investments in energy, such as the new Atucha III nuclear power plant, which will affect the public account deficit. China has the capacity to be an exporter of nuclear power plant technology, and in doing so added yet another Latin American adherent to its Belt and Road Initiative. When Argentina negotiates in isolation, it negotiates from a position of weakness, and there was no long-term strategy to Fernández's decision to deepen the ties between the two countries. Instead, we should be committing more to direct investments in productive sectors that don't harm accounts, or at least compensate for the expenditures. For example, making a deal that Chinese investments for natural gas developments are tied to LNG export contracts. But no deals like that were made, and China will take increasing advantage in the months and years ahead. If the United States wants to respond to China's growing influence, it should negotiate a free trade agreement with the Mercosur common market bloc. Doing business within the framework of Mercosur is key if the United States is serious about expanding its interests in the region."

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