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FEATURED Q&A

What Should Chile Expect From Its New President?



Gabriel Boric, 36, is set to become the youngest president in Chile's modern history when he is sworn in today. // File Photo: Facebook Page of Gabriel Boric.

Q Gabriel Boric takes office today as president of Chile. The 36-year-old and his diverse cabinet are likely to face a myriad of challenges—from shoring up security and immigration, to tax reform and boosting health care and education—all this while the country attempts to rewrite its dictatorship-era constitution. What issues are most pressing, and what should Boric's top priorities be as he assumes the presidency? Can Chile's new president forge a path of economic growth while keeping his election promises of greater wealth distribution? How did the markets and investors react to his election last year, and what is the outlook for Chile's business environment?

A Michael Shifter, president of the Inter-American Dialogue: "The new Chilean government led by 36-year-old Gabriel Boric has drawn keen interest in the United States, Europe and across Latin America. Will a new generation of political leadership be able to combine socially progressive policies with economic growth and fiscal discipline—all within a democratic framework that respects the rule of law? Possibly, but it won't be easy. The relatively untested president and his diverse team will face many significant challenges. Boric will need to maintain support of his political base, the young, more radical forces demanding to redress acute inequalities. They will press for fundamental reforms in pensions, education and health, a more inclusive and greener economy and increased taxes on the wealthy. Expectations are high, but enacting these measures will be tricky. Congress is divided, and Boric will have to forge alliances and make deals. At the same time, he will need to gain the confidence of the private sector. His

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TODAY'S NEWS

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U.S. to Designate Colombia Major Non-NATO Ally

The United States will designate Colombia a major non-NATO ally, U.S. President Joe Biden announced Thursday during a visit to the White House by Colombian President Iván Duque.

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BUSINESS

Brazil's Petrobras Announces Fuel Price Increases

Brazilian state-run oil company Petrobras announced that it is raising prices of gasoline, diesel and liquefied petroleum gas.

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POLITICAL

Guatemalan President Threatens to Veto Abortion Bill

Guatemalan President Alejandro Giammattei threatened to veto legislation that would increase prison sentences for women who have abortions, which are illegal in Guatemala except for when the life of the woman is in danger.

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Giammattei // File Photo: Guatemalan Government.

POLITICAL NEWS

U.S. to Designate Colombia Major Non-NATO Ally

The United States will designate Colombia a major non-NATO ally, a designation that will change how the U.S. military interacts with the Andean nation, U.S. President Joe Biden announced Thursday during a visit to the White House by Colombian President Iván Duque. “This is a recognition of the unique and close relationship between our countries,” Biden said alongside Duque during the meeting. “We stood with Colombia as you fought for your country and negotiated historic peace. And we’re going to continue to stand together and build peace, reconciliation, and, God willing, a prosperous future for all Colombians,” Biden added. Duque said the two countries have built a “bilateral relationship ... based on values and based on principles.” He added, “We appreciate a lot that you have made the decision to designate Colombia a primary non-NATO ally because that is the recognition of the values and the principles that we have shared.” Major non-NATO allies are not entitled to specific security guarantees like NATO member nations, but the designation does allow closer interactions between them and the U.S. military, according to the U.S. State Department. The designation makes countries eligible for loans of supplies or equipment for research, development, testing or evaluation. It also allows them to be used as a location for U.S.-owned war reserve stockpiles, and it opens the possibility of them entering agreements with the United States for bilateral or multilateral training, among other provisions, according to the State Department. The meeting between Biden and Duque came just days after high-level U.S. officials flew to Caracas to meet with Venezuelan President Nicolás Maduro and officials of his government last weekend. The United States is reportedly considering the possibility of easing sanctions on Venezuela in an effort to allow it to export more oil at the same time that the United States is cutting off oil imports

from Russia following its invasion last month of Ukraine. After the meeting with Biden, Duque was asked about the contacts between top U.S. officials and Maduro’s government. Duque told reporters, “I’m not going to start questioning U.S. policy,” Reuters reported. “We will maintain our same foreign policy, condemning the dictatorship, calling Nicolás Maduro what he is, a criminal who has committed crimes against humanity, and we will continue to support our Venezuelan brothers in Colombia with fraternity,” Duque added. While Colombia is not a member of NATO, it is a NATO partner country, and Duque met last month in Brussels with the alliance’s secretary general, Jens Stoltenberg, to discuss closer military and technical cooperation. “As a NATO global partner, Colombia is looking for additional deterrents to any aggression from Venezuela,” Sergio Guzmán, co-founder and director of Colombia Risk Analysis, told the Advisor in a [Q&A](#) published Wednesday. “We’ve seen in the past that Venezuela’s close relationship with Russia is viewed with skepticism in Colombia and other parts of Latin America, and particularly in the United States.”

ECONOMIC NEWS

Mexico Legislation Would Push for Loans to Small Businesses

Mexico’s Senate majority leader, Ricardo Monreal, is preparing legislation that would push banks to make low-cost loans to small- and medium-sized businesses in an effort to help fuel economic recovery, Bloomberg News reported today. The bill would seek to help the “great many” businesses that have suffered during the pandemic, Monreal told the news service in an interview. “It’s important that banking is opened up to make low-interest loans to people who lost their businesses or people who closed their businesses during the pandemic,” said Monreal. [Editor’s note: See related [Q&A](#) in Tuesday’s issue of the Latin America Advisor.]

NEWS BRIEFS

Guatemalan President Threatens to Veto Abortion Legislation

Guatemalan President Alejandro Giammattei on Thursday threatened to veto legislation that the country’s Congress passed two days earlier that increases prison sentences for women who have abortions, bans same-sex marriage and prohibits the discussion of sexual diversity in schools, the Associated Press reported. Giammattei said the legislation violated the country’s constitution and two international conventions. Giammattei’s statements marked a reversal as on Wednesday he said the country “teaches and does everything possible to respect life from conception to natural death,” Agence France-Press reported.

Mayor, Five Suspected Gunmen Killed in Western Mexico

Five suspected cartel gunmen were found dead in the avocado-growing region of western Mexico, authorities said, the Associated Press reported Thursday. They are thought to have been killed in a gunfight with rival gangs. Gunmen also killed the mayor of a nearby town, the report added. Police said they had found the five bodies in the town of Nuevo Parangaricutiro, in Michoacán state, and had detained 32 in relation to the killing, AP reported. [Editor’s note: See related [Q&A](#) in the Feb. 28 Advisor.]

Venezuelan Vice President, Russian Foreign Minister Lavrov Meet in Turkey

Venezuelan Vice President Delcy Rodríguez met with Russian Foreign Minister Sergei Lavrov in Antalya, Turkey, on Thursday to discuss the countries’ alliance, Rodríguez said in a Twitter post, Reuters reported. The meeting took place just five days after U.S. officials were in Caracas to discuss the export of oil to the United States.

BUSINESS NEWS

Brazil's Petrobras Announces Fuel Price Increases

Brazilian state-run oil company Petrobras on Thursday announced that it is raising fuel prices beginning today, an encouraging sign for investors but one that is at odds with President Jair Bolsonaro, Reuters reported. Petrobras said in a securities filing that it would raise gasoline prices 18.8 percent to 3.86 reais (\$0.7653) per liter and that it was hiking diesel prices 24.9 percent to 4.51 reais per liter, Reuters reported. The state oil company added that it was raising the price of liquefied petroleum gas by 16 percent to 4.48 reais per kilogram. The moves led Petrobras' shares to rise 1 percent in midday trading in São Paulo. Meanwhile, the benchmark Bovespa stock index declined nearly 2 percent. "After oil prices were seen at consistently high levels, it became necessary for Petrobras to adjust prices so the Brazilian market continues to be supplied, without the risk of shortages," the company said in the securities filing, Reuters reported. Domestic fuel prices remained below international rates, the company added. Petrobras also pointed out that it had not raised fuel prices in almost two months, Agence France-Presse reported. Bolsonaro has frequently criticized Petrobras, saying its prices are too high. The president is facing a tough re-election campaign ahead of this October's presidential election, and rising inflation is likely to hinder his chances at winning another term. Petrobras' fuel price hikes also may lead it to a clash with truckers' associations, AFP reported. A powerful truckers' association leader, Wanderlei "Dedeco" Alves, threatened to repeat strikes that hamstrung much of the country and caused shortages of several goods in 2018. "Independent truckers and transport companies need to come together and paralyze the country," Alves told Brazilian media, AFP reported. "No one's going to be able to survive this," he added.

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selection of respected former central bank president Mario Marcel as finance minister was reassuring, though many in the business community remain skeptical and have a 'wait and see' attitude. Apart from a fragmented and challenging political landscape, Chile's economy is slowing, and inflation and unemployment are rising. The eventual content of a new constitution also poses risks for the incoming administration. Some of the ideas gaining ground in the convention regarding the judiciary, regional powers, the central bank and the proliferation of social rights could discourage investment and put Boric himself in a difficult bind."

A **Jorge Heine, research professor at the Pardee School of Global Studies at Boston University and former Chilean cabinet**

minister: "Chile's new government has a remarkable opportunity to set the country on a new course and get rid of the malaise that has affected it lately. To do so, it must distinguish between urgent and important issues. Among the former are those related to law and order, and matters like burgeoning inflation and economic reactivation. Among the latter are those related to pension and health reform (revealingly, among the least trusted institutions in Chile are the AFPs—private pension companies, and Isapres—private health insurers). The high price of copper this year should provide a welcome influx of hard currency and fiscal income. For a new ruling coalition largely without government experience, enacting its program will require quite a balancing act and deft political management. Yet, after the initial jitters, markets have rebounded, strengthening the peso and the stock market, and 2021 saw a significant increase in foreign direct investment. The appointment of Mario Marcel, the former central bank president, as finance minister reassured the business community. That said, a key challenge remains the relationship of the new government with the constitutional convention. Chile badly needs

a new constitution, and the process to draft one has so far gone according to plan. Yet, there is some concern that constitutional deliberations and various proposals have been driven more by identity politics than anything else. Many of the delegates to the convention are Boric followers. Lining them up to come up with a modern constitutional charter for the digital age should not be that much of an uphill task."

A **Mariana Zepeda, Latin America analyst at FrontierView:**

"There is a lot at stake for Gabriel Boric. Not only is Chile emerging from more than two years of the Covid-19 pandemic, it is also in the midst of a politically and economically transformative constitutional rewrite. While Boric has been one of the key voices advocating for social change in Chile since he was a university student, with power comes great responsibility. His main challenge will be balancing an ambitious social agenda that will likely be enshrined in the new constitution with a deteriorated fiscal position and an uncertain external environment. A tax reform is likely to be one of his first priorities; Boric seems committed to responsible fiscal management alongside gradual social reform. But it will be a fine balance—act too moderate, and Boric risks getting lumped in with the ghosts of the Concertación governments of the past; push too hard, and he risks undermining the institutions and systems that have made Chile a Latin American success story. The constitutional process itself might not even allow for gradualism. Boric will need to either work in lockstep with the constituent assembly, or risk seeing any hard-earned progress on his political priorities undone by a new constitution. Then, he will need to chase what may end up being a fool's errand: collaborating with a fragmented Congress to ensure that new constitutional articles are implemented as effectively as possible. Markets detest uncertainty, and this process is likely to be anything but stable. Chile is

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almost guaranteed a challenging short-term outlook, but once the dust settles, Boric's legacy will hinge not only on the fiscal sustainability of the model he aims to implement, but also on the social outcomes it achieves."

A **Patricio Navia, clinical professor of liberal studies at New York University and professor of political science at Universidad**

Diego Portales in Chile: "Gabriel Boric is becoming president of Chile at a difficult moment for the country. In addition to the slowing economy and high inflation, Boric will have to deal with the high expectations generated by the constitution-writing process and by his own victory. As a candidate, Boric promised higher spending and more social rights. As president, he will need to rein in fiscal spending and put the constitutional convention back on track. The convention is poised to produce a maximalist constitution full of social rights and with provisions that will undermine economic development and foreign investment. As the convention has shown little compromise with protecting property rights, the prospects for future economic growth will diminish if the new constitution is enacted.

Boric will need to decide whether he will govern with the radical left-wing platform that earned him 25.8 percent of the vote in the first round or with the moderate proposals that gave him the victory with 55.9 percent

“As president, he will need to rein in fiscal spending and put the constitutional convention back on track.”

— Patricio Navia

in the runoff. If he governs as a left-wing radical, he will soon lose popular support and will lead the country on the wrong track for economic development. If he chooses to be more moderate, he will clash with the far-left constitutional convention. Either way, he will face difficulties, although he can survive a clash with the constitutional convention, but his popularity will not survive a sluggish economy."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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