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FEATURED Q&A

Can the U.S. and Brazil Expect More From Each Other?



Last month U.S. Secretary of State Antony Blinken phoned Brazilian Foreign Minister Carlos França (pictured) in an bid to build international support among U.N. Security Council members against Russia's invasion of Ukraine. // File Photo: U.S. Government.

Q Top U.S. and Brazilian diplomats on April 25 held their first high-level talks since 2019, discussing issues such as Russia's invasion of Ukraine, deforestation in the Amazon and Brazil's request to join the Organization for Economic Cooperation and Development, or OECD. What would be the main benefits of closer cooperation between the United States and Brazil? What have been the most contentious issues between the two countries, and will they be able to overcome them? What is at stake for the countries' relationship in Brazil's presidential election later this year?

A **Nestor Forster Jr., Brazil's ambassador to the United States:** "The Brazil-U.S. partnership is a source of well-being and prosperity for our peoples and contributes to the solution of global challenges, including food and energy security."

In the recent Brazil-U.S. High Level Dialogue, our countries were able to assess the progress made in a broad array of areas. The economic partnership—so crucial to Brazil-U.S. relations—is experiencing a positive phase: bilateral trade in goods reached a historic \$70 billion in 2021, and bilateral investments create jobs and help the post-pandemic recovery in both countries. Supply chain resilience has been the subject of ongoing attention, and the June Summit of the Americas presents a unique opportunity to address this topic of relevance to the hemisphere. Cooperation in multilateral forums is another important item on the Brazil-U.S. agenda. As a non-permanent member of the U.N. Security Council and a champion of its reform, Brazil has been exchanging views with the U.S. on the pressing challenges brought before that body. In the OECD, U.S. support for

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Indigenous Rights Advance in Chile's New Constitution

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POLITICAL

Colombia Sends Drug Lord to U.S.

Two police riot tanks and a motorcade of more than 20 vehicles escorted Dairo Antonio Úsuga, a drug baron better known as Otoniel, the to airport. He was flown to the United States, where he faces criminal charges.

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Mexico Unveils New Plan to Fight Rising Costs

Mexican Finance Minister Rogelio Ramírez de la O has announced a deal with business leaders and groups to keep consumer prices steady and increase production of staple foods such as corn, rice and beans in an effort to control inflation.

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Ramírez de la O // File Photo:
Mexican Government.

POLITICAL NEWS

Colombia Extradites Drug Baron to U.S.

Officials in Colombia on Wednesday extradited Dairo Antonio Úsuga, a drug baron better known as Otoniel, to the United States to face trial, El Tiempo reported. Two police riot tanks and a motorcade of more than 20 vehicles escorted him to the airport. In the United States, Otoniel is charged with the international distribution of cocaine, conspiracy to commit murder, conspiracy to manufacture and distribute international cocaine and use of firearms in order to promote drug trafficking, among other crimes, including sexual abuse of underage women, the Associated Press reported. Colombian President Iván Duque said Otoniel is "comparable only to Pablo Escobar," referring to the late former head of the Medellín drug cartel who remains known worldwide decades after his capture and death. Otoniel's Gulf Clan trafficked up to 200 tons of cocaine a year, BBC News reported. Prior to his capture last October, Otoniel was Colombia's most wanted man. The United States had offered a \$5 million reward for his capture.

Indigenous Land Rights Advance in Chile's Constitution

A plenary meeting of Chile's constitutional convention on Wednesday approved a measure to provide a preferential mechanism for restitution of lands to Indigenous groups, La Tercera reported. The plenary also voted on issues related to property rights, providing "special protection" for Indigenous groups, a contentious topic that held up negotiations months ago. Wednesday's vote confirmed that the measure would go into the draft of the new constitution. The approved article states that "Indigenous peoples and nations have the right to use the resources that they have traditionally used or occupied, that are found in their territories and are essential for their collective existence." If

the proposed new Constitution is adopted, the state may have to return some lands claimed by Indigenous peoples, a different approach to the "purchase and sale policy" that currently exists. Recent opinion polls indicate that, for the first time, more Chileans would reject the new draft of the constitution than approve it. [Editor's note: See related **Q&A** in the April 15 issue of the Advisor.]

ECONOMIC NEWS

Mexico Unveils New Plan to Fight Inflation

Mexican Finance Minister Rogelio Ramírez de la O said Wednesday that his government had reached a deal with business groups to increase production of staple foods such as corn, rice and beans as part of a plan to control consumer price inflation, Reuters reported. Prices for food are at a two-decade high. The six-month plan does not include price controls, according to the report. Some of Mexico's most important business leaders backed the plan. Billionaire businessman Carlos Slim said his telecommunications companies would not raise prices for the rest of 2022. Baked goods giant Bimbo pledged to maintain the price of white bread, Agence France-Presse reported. Wall Street analysts were lukewarm on the plan. "Overall, in our assessment the announced measures are no substitute for a conservative calibration of monetary and interest rate policy to deal with the challenges of high and disseminated inflation," Goldman Sachs economist Alberto Ramos told clients in a research note. However, Ramos added that "increasing the supply of food and grains, reducing import tariffs and staying away from coercive measures and outright price controls are positive developments" in the new plan. Mexican inflation hit 7.45 percent in March, well above the central bank's target of around 3.0 percent. With concerns mounting about inflation and weaker growth in the neighboring United States, the Bank of Mexico, or Banxico, downgraded its economic outlook in March, forecasting growth of 2.4 percent this year.

NEWS BRIEFS

Uber Technologies Sees Latin America Revenue Grow 43 by Percent

San Francisco-based transport company Uber Technologies said Wednesday that its Latin America revenue grew by 43 percent in the first quarter of the year. Revenue totaled \$432 million in the region through March 31, as compared to \$302 million through March of 2021. Overall, the company said its global revenue grew by 136 percent in the first quarter, year-over-year, with gross bookings up 35 percent. Revenue from the United States and Canada makes up a majority of Uber's business, contributing \$4.56 billion in the first quarter.

U.S. Resumes Visa Processing in Havana

The U.S. Embassy in Havana has resumed processing visas for Cubans on a limited basis, the Associated Press reported Wednesday, citing an unnamed State Department official. Consular services on the island stopped four years ago under a hardening of relations with the United States. For the time being U.S. officials in Havana will only process visa requests from Cubans who are the parents of U.S. citizens.

Liberty Latin America Posts 5 Percent Revenue Gain in First Quarter

Denver-based Liberty Latin America on Wednesday reported revenue growth of 5 percent in the first quarter of the year, which rose to \$1.2 billion. The communications company's CEO, Balan Nair, said the quarter delivered record mobile postpaid growth, with 121,000 additions. Nair added that the company continued to see "a challenging environment in Chile," where revenue-generating units declined as compared to the previous quarter. Liberty recently purchased AT&T's Puerto Rico and U.S. Virgin Islands operations, as well as Telefónica's Costa Rica assets.

BUSINESS NEWS

Mexico Pushes Travel to New Airport

Mexican Transportation and Infrastructure Secretary Rogelio Jiménez Pons told local media on Wednesday that the government has decided to reduce the number of flights allowed to land at Mexico City's main airport by 20 percent, the Associated Press reported. Airlines have been hesitant to switch to the new facility because it lacks efficient rail and road infrastructure linking it to the city's main areas, located some 27 miles away. The reduction is to start in July, and could force about 10 daily flights to the new terminal. Claudia Sheinbaum, head of government of Mexico City, defended the new facility, telling the Advisor in March that the new airport is "part of a rational, coherent project for urban and economic development." The Benito Juárez International Airport in Mexico City is one of the busiest airports in Latin America, transporting more than 36 million passengers every year. [Editor's note: See related Q&A in the March 31 issue of the Advisor.]

Banco Galicia to Offer Crypto Trading

Banco Galicia, Argentina's largest private bank by market value, is working with digital bank Brubank SAU to allow its customers to purchase cryptocurrencies including Bitcoin, Bloomberg News reported this week. Banco Galicia said 60 percent of its customers have responded to a survey saying they would like to have easy access to crypto currencies. The move makes Banco Galicia the first major bank in Argentina to offer cryptocurrency trading, according to the report. High inflation and currency controls make Argentina one of the countries where crypto currencies hold most potential for widespread acceptance, experts say. [Editor's note: See related Q&A in the Nov. 17 issue of the biweekly Financial Services Advisor.]

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Brazil's accession attests to a commitment to economic modernization. Climate and environment issues are faced with a sense of urgency. Brazil and the U.S. have joined forces to fight deforestation and promote sustainable development in the Amazon. At COP26 in Glasgow, Brazil announced its goal of achieving carbon neutrality by 2050 and collaborated with the United States to ensure a successful conference. The October elections will show, once again, the strength of democracy in a country that takes a long-term view of its ties with the United States."

A **Melvyn Levitsky, professor of international policy and practice at the University of Michigan and former U.S. ambassador to Brazil:** "Brazil and the United States traditionally have had an active and mostly positive relationship. Despite disagreements over such issues as environment, tariffs and anti-dumping disputes in the World Trade Organization, the U.S.-Brazil dialogue has been viewed as beneficial to both countries. This relationship has dipped downward in

C **Lula da Silva, once viewed as a pariah in U.S. government eyes, may now be seen as a welcome change.**"

— Melvyn Levitsky

the past few years. President Bolsonaro has paid little attention to deforestation in the Amazon; in fact, he has called for more economic development in the region and has brought back echoes of the 1960s and '70s claims that the developed countries were trying to 'internationalize' the Amazon region. His handling of the Covid pandemic in Brazil also cast his government as incompetent and bungling. His recent visit to Moscow and his embrace of Putin before

Russia invaded Ukraine further blotted his copy book with the United States and other Western countries. Bolsonaro's idiosyncratic governing style has resulted in confusion about the goals of his policies. As the election approaches, Lula da Silva, once viewed as a pariah in U.S. government eyes, may now be seen as a welcome change."

A **Rubens Barbosa, former ambassador of Brazil to the United States:** "The agenda between Brazil and the United States

is mainly economic and commercial. The recent dialogue between the two countries reinforces this view. A closer cooperation in those areas would strengthen political and diplomatic ties between the two countries and would also open space for progress in other areas such as immigration, defense, health and energy. Both governments should identify opportunities to be explored by US companies in association with Brazilian groups to enhance cooperation in the development of regional chain of production (near shoring) in areas of mutual interest (health and mining in particular) to reduce domestic vulnerabilities and diminish dependency on China. Brazil may be a regional leader in the reorganization of the global value chain. Even more contentious issues as the environment (Amazon region), democracy and immigration could be discussed within the context of a closer cooperation. If there is a threat to democracy during the election time, the foreign reaction, including in the United States, would have a negative effect on the bilateral relationship. The coming presidential election is a factor of great uncertainty. Depending on the result of the election new political challenges to a closer relationship between the two countries may emerge. How to connect concrete interests between Brazil and the United States in a fragmented world is at stake. An improved trade and commercial relationship between the two countries would be seen as a U.S. return

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to the region, which has been a secondary priority to U.S. decision-makers today, and a growing U.S. economic and trade presence in Brazil would also send an important signal to China."

A **Guilherme Casarões, assistant professor at the São Paulo School of Business Administration of the Fundação Getúlio Vargas:** "Brazil and the United States have enjoyed a prolific relationship that dates to the early 20th century. Despite occasional disagreements and short periods of distancing, Washington has long been Brazil's key global strategic partner, while Brasília has helped the United States build and secure a liberal hemispheric order. Bilateral cooperation between the regional giants has been the norm. Their agenda spans across issues from climate change to defense and security to human rights. Moreover, despite being surpassed by China as Brazil's leading trade partner, the United States remains the largest market for Brazilian industrial exports and the top international destination for Brazilian tourists. For decades, Brazil and the U.S. have witnessed some areas of friction, as well. Trade is perhaps the most salient one, as successive Brazilian governments pushed for greater agricultural liberalization and have taken several complaints against U.S. subsidies to the World Trade Organization. Geopolitics has also caused some controversy, as Brazil desired to play the role of mediator between Iran, Palestine and the West to the chagrin of the White House. Former U.S. President Barack Obama's NSA spying scandal did not help heal bilateral misunderstandings, either. Recent concerns over democracy, the environment and the Covid-19 pandemic have pushed the Biden and Bolsonaro administrations farther apart. While there is a broad agenda that moves forward irrespective of ideological or personal differences, the list of conflicts to work out becomes longer. In the case that Lula wins the presidency, we might expect a

swift reconciliation based on shared worldviews and interests. Bolsonaro's reelection, on the other hand, may sour relations to an unprecedented level. Everything may change, of course, under the next U.S. presidency. This is why the next two years will be critical to the future of bilateral relations."

A **Leandro Barcelos, international trade coordinator at BMJ Associated Consultants:** "The United States and Brazil historically have a strong economic and diplomatic relationship that covers cooperation on a range of topics. At a time when the world is in turmoil due to Russia's invasion of Ukraine, both countries need to strengthen their relations, especially regarding the energy, environment and agriculture agendas. Brazil's accession process to the OECD will stimulate the implementation of major structural reforms, potentially impacting the relations with the United States, as the country supports Brazil's membership. Nevertheless, Brazil will most likely be pressured regarding its environmental policies and will need to align expectations about policies on deforestation and carbon market programs. Green energy and the digital economy are part of a strategic agenda to re-open the negotiation of a free trade agreement and achieve a bilateral investment treaty. However, due to Brazil's presidential election later this year, policymakers are likely to remain focused on internal issues, limiting any new action on the international agenda until the next elected government takes over in 2023. Another point of attention regards both countries' stance on China. The current governments are adopting a milder tone, seeking neither to expand relations nor to create more friction. Nevertheless, the Asian country remains a challenge for the North Americans. Thus, depending on the outcome of the Brazilian elections and the new government's approach, China should be a red flag in Brazil's relationship with the United States."

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