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FEATURED Q&A

Can Fernández Win Argentina's Presidency Again?



Argentine President Alberto Fernández and his Vice President, Cristina Fernández de Kirchner, are not on speaking terms and lambaste each other in public, Kezia McKeague writes below. // File Photo: Argentine Government.

Q Argentine President Alberto Fernández said on May 10 that he will be seeking re-election in next year's presidential race. A Peronist, Fernández was recently able to restructure Argentina's IMF debt in a \$44 billion deal, although the politically charged talks exposed sharp fissures within the ruling coalition. How have Fernández's approval ratings changed over the course of his presidency, and how much support does he have now? What are his biggest challenges leading up to next year's elections, and what will be his primary campaign commitments? How will tensions within his Frente de Todos coalition affect his chances of a second presidential term?

A Kezia McKeague, regional director at McLarty Associates:
"President Fernández's approval ratings have continued to fall since a peak at the beginning of the Covid-19 pandemic. Recent polling reflects societal perceptions of a weak president unable to unify his fractious governing coalition or address Argentina's persistently high inflation. According to a poll this month by Poliarquía, Fernández's personal approval rating has declined to 28 percent, while his negative rating has risen to 46 percent—the worst levels since he took office. The disaffected vice president, Cristina Fernández de Kirchner, is also polling at historic lows. Despite minimal prospects for re-election, Fernández needs to say that he will be a candidate to stay relevant, while continuing to promise compliance with the International Monetary Fund agreement and improved economic growth. His principal challenges are twofold: the loss of purchasing power of Frente de Todos voters impacted by accelerating inflation and the coalition's internal battles,

Continued on page 4

TODAY'S NEWS

ECONOMIC

Brazil: Prices in May Rise Most Since 2016

The biggest increase in inflation came from the health and personal care sector. Services inflation also spiked higher than analysts expected. "Inflation is now not only very high but also highly disseminated," Goldman Sachs economist Alberto Ramos told clients Tuesday.

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POLITICAL

Colombia Sends Military Experts to Help Ukraine

A team of 11 Colombian military engineers will travel to Europe to train Ukrainian soldiers on de-mining techniques.

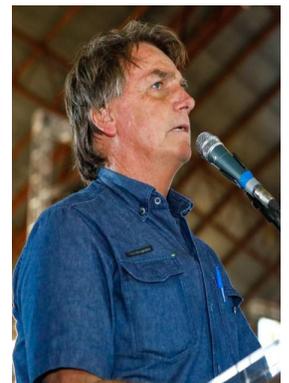
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POLITICAL

Police Operation in Rio Leaves 22 Dead: Report

Brazilian President Jair Bolsonaro praised police for their work in the Vila Cruzeiro favela early Tuesday, while Rio state public prosecutors opened a criminal investigation on the incident.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Police Operation in Rio Leaves 22 Dead

A police operation in a Rio de Janeiro favela left 22 people dead on Tuesday, making it the third deadliest police action in the city's recent history, Folha de S.Paulo reported. Brazilian President Jair Bolsonaro praised police for their work in the Vila Cruzeiro neighborhood, according to the report. A police statement issued the morning of the incident said that officers were fired on while preparing their incursion and that one resident had been shot and killed on site. Local media reported that person was a 41-year-old woman hit by a stray bullet, the Associated Press reported. The operation was conducted jointly by the military police and federal highway police, who seized 16 vehicles and 13 automatic rifles, as well as pistols and grenades, authorities said. Earlier this year, Brazil's Supreme Court established a series of conditions for police to conduct raids in Rio's favelas as a means to reduce police killings and violations of human rights. On Tuesday, Rio state public prosecutors said in a statement they had opened a criminal investigation on the incident, giving military police 10 days to provide details about the operation, indicating which officials were responsible for each death and the justification for use of lethal force, according to the news service. In January, the state of Rio de Janeiro launched its "Integrated City" program, an effort to decrease drug trafficking in six favelas with some \$95 million slated for improving access to services, housing and mobility in poor neighborhoods. [Editor's note: See related [Q&A](#) in the Feb. 14 issue of the Advisor.]

Colombian Experts to Train Ukrainians

A team of 11 Colombian military engineers will travel to Europe to train Ukrainian soldiers on de-mining techniques, Colombia's Defense Minister Diego Molano said Monday, Reuters reported. Colombia, a NATO partner, is one of

the world's most mined countries because of its decades of internal armed conflict between leftist rebels, right-wing paramilitaries and the government's armed forces, according to the United Nations, the wire service reported. Since 1990, landmines in the Andean country have killed more than 2,300 people and injured close to 10,000 people. The Colombian team will go to "a NATO member country" for the training.

ECONOMIC NEWS

Brazil: Prices in May Rise Most Since 2016

Consumer prices in Brazil rose more than economists expected in May, according to data released Tuesday from state statistics agency IBGE. The closely followed IPCA-15 index in May was 0.59 percent, the biggest change for the month of May since 2016. Moreover, the May data marks the biggest variation accumulated in the previous 12 months since November 2003. Eight of the nine groups of products and services surveyed by IBGE were up in May, with the exception being housing. The biggest increase in inflation came from the health and personal care sector. Services inflation also spiked higher than analysts expected. "Inflation is now not only very high but also highly disseminated," Goldman Sachs economist Alberto Ramos told clients in a research note Tuesday. To calculate the IPCA-15, IBGE collected pricing data in major cities from April 14 to May 13, and compared it with those in effect from March 17 to April 13. Facing a tough election in October, Brazilian President Jair Bolsonaro announced a plan in March to provide \$32 billion of economic stimulus this year through a program known as the "Income and Opportunity Program." The initiative includes early payment of pension checks, the expansion of payroll-deductible loans and a new microcredit program. However, critics said the package is ill timed and poorly organized in terms of targeting those struggling most with rising prices, Leandro Ferreira, head of the Brazilian Basic Income Network, told the Advisor in a [Q&A](#) published March 29.

NEWS BRIEFS

Cosan Unit Acquires PetroChoice for \$479 Mn

Brazilian energy conglomerate Cosan announced Tuesday that it has acquired the largest lubricants distributor in the United States for \$479 million. Cosan's subsidiary Moove will purchase Pennsylvania-based PetroChoice Lubrication Solutions from Golden Gate Capital. PetroChoice operates more than 50 distribution centers across 25 states. Moove is one of the largest producers and distributors of lubricants and base oils in Brazil and other countries in South America, as well as Europe.

Corrupt Acts in Mexico Cost Citizens Affected \$452 Million in 2021

Corruption in Mexico costs the average person affected some 3,000 pesos (\$150), according to a survey published by state statistics agency INEGI, El Universal reported Tuesday. The total cost of acts of corruption last year reached \$452 million. The survey includes only acts of corruption in activities related to the daily life of households and not corrupt activities of companies or between public servants. Corruption for people in contact with public security authorities had the greatest weight in the survey. Officials said use of the Internet to carry out public procedures helps reduce corrupt acts.

Monarch Butterflies Rebound in Mexico

Scientists in Mexico found that 35 percent more monarch butterflies arrived this year to spend the winter there as compared to the previous season, the Associated Press reported. The butterfly species has been considered at risk for extinction, and experts say the rise may reflect the butterflies' ability to adapt to climate change. A commission for natural protected areas said the butterflies' population covered 7 acres this year, according to the report.

BUSINESS NEWS

Glencore to Pay \$39 Million to Brazil in Corruption Case

Anglo-Swiss commodities company Glencore said Tuesday it will pay at least \$1.2 billion and two business units will plead guilty of corruption charges in Brazil, the United States and United Kingdom, the Wall Street Journal reported. Glencore will pay about \$700 million to resolve a U.S. Justice Department foreign-bribery investigation and \$39.6 million to settle bribery claims in Brazil, according to the company. Another unit has agreed to pay \$485 million to settle U.S. criminal and civil investigations into manipulation of fuel-oil prices, Glencore said. The Brazil fine stems from Glencore's part in a corruption probe known as Operation Car Wash, which involved payments related to state-controlled oil company Petrobras.

Mexico's Nowports Becomes Latest Latin American Unicorn

Mexico-based startup Nowports, an automated digital freight forwarder in Latin America, has raised \$150 million in a funding round which values the company at \$1.1 billion, making it Latin America's latest unicorn, Tech Crunch reported Tuesday. Founded in 2018, the company aims to digitize the freight forwarding industry, which to date has lacked transparency and efficiency, Nowports executives say. Led by SoftBank Latin America Fund, the round of funding comes just six months after the Monterey-based startup announced it had secured \$60 million in a funding round and brings its total funding to over \$240 million since its inception four years ago, according to the report. In the first quarter of this year, Nowports started operations in Panama and expanded into Concepcion, Chile, and Medellin, Colombia. The startup has 10 active offices in seven countries, with more than 500 employ-

THE DIALOGUE CONTINUES

What Would López Obrador's Proposed Election Reforms Mean for Mexico?

Q Mexican President Andrés Manuel López Obrador last month proposed a series of wide-ranging reforms for Mexico's electoral system. The reform would dissolve the National Electoral Institute (INE), which oversees elections, and replace it with a directly elected body with less funding than the INE. What do the proposed electoral system reforms entail, and how would they affect the legitimacy of elections in Mexico? How likely is it that the Mexican Congress will approve the reforms? How do the Mexican people feel about the proposed changes, and how would the reforms affect the 2024 presidential election?

A Georgina De la Fuente, electoral governance specialist and former advisor at Mexico's Instituto Nacional Electoral (INE): "One of the main features of the president's proposal entails the extinction of the National Electoral Institute (INE), to be replaced with a new underfunded institution, whose decisionmakers would be directly elected by the people from a pool of candidates proposed by the three branches of government. This would severely undermine the independence and professionalism that characterize Mexico's electoral management body, as has been certified by national and international observers for the past three decades. The proposed reform also calls for a drastic reduction in public financing, which is the basis for our system of political parties and for guaranteeing a level playing field. A constitutional reform like this, however, requires

ees. Other Mexican unicorns include small business lender Konfio, payments provider Clip and used car platform Kavak, all of which are

a supermajority of two-thirds of Congress, which the ruling coalition does not have. Furthermore, the opposition has already announced its own proposal. This breaks with established practice around electoral reforms, in which public debates are driven by the opposition after an election and a consensus among all parties is reached around one piece of legislation. The unlikelihood of the approval of the president's

“ Polls indicate most Mexicans trust the INE, which has approval ratings of over 60 percent.”

— Georgina De la Fuente

proposal in its current form and its timing suggests that he may have another objective in mind. The national debate around the INE's existence and costliness will create the perfect opportunity to continue attacking its credibility, while also playing into an already deeply polarized public ahead of the 2024 presidential election. But polls indicate most Mexicans trust the INE, which has approval ratings of over 60 percent. It is yet to be seen if Lopez Obrador's bet pays off.”

EDITOR'S NOTE: The above is a continuation of the Q&A that appeared in the May 13 issue of the Advisor.

also SoftBank-funded, according to Reuters. [Editor's note: See related Q&A in the Feb. 9 issue of the Financial Services Advisor.]

FEATURED Q&A / Continued from page 1

which are worse than ever. Some analysts now reference two rival governments run by the president and the vice president, who are not on speaking terms and who lambaste each other in public. Yet they also need each other, because neither is likely to win a national election without the other. In sum, the outlook for the 2023 presidential elections is highly uncertain—we do not know if there will be a unified Peronist coalition nor who the candidate would be in that scenario. While the opposition Juntos por el Cambio coalition seems well positioned, it is also fragmented, with a candidate likely to be defined in next year's primary elections, known as las PASO. It will also be worth watching the impact of libertarian politician Javier Milei as he seeks to capitalize on voters' disillusionment with the political establishment."

A **Bruno Binetti, nonresident fellow at the Inter-American Dialogue:** "President Fernández announced his intention to run again as a show of strength against Vice President Cristina Kirchner, who wants him to step aside when his term is up. Kirchner thinks the government's policies of fiscal consolidation, agreed with the IMF, will hurt the poor and lead to an electoral defeat for Peronism in 2023. It is very likely that Kirchner or a candidate she supports will challenge Fernández on a primary or break the coalition altogether and run against him in the general election. Right now, President Fernández faces an uphill battle: his approval numbers have dropped to less than 30 percent, inflation is accelerating and the coalition could collapse any moment. The government lacks a clear narrative or internal cohesion, focused on staying afloat and avoiding an all-out war with kirchnerism. The president hopes inflation will subside soon—Argentina's modest economic recovery will continue, and moderate Peronists will have no choice but to support him to stop Cristina Kirchner from taking over the coalition. The problem for the president and the vice pres-

ident is that they could be equally penalized by the electorate for their constant bickering amid economic hardship could be. While Cristina Kirchner remains more popular than the president, especially in the crucial province of Buenos Aires, her approval ratings have dropped sharply as well. Fernández and Kirchner could find it hard to disentangle the awkward coalition they helped put together in 2019."

A **Carlos Fara, president of Carlos Fara & Asociados in Buenos Aires:** "The president's approval rating has been falling since mid-2020, after the first two months of the pandemic quarantine, which were its zenith. He currently has an approval rating of 32 percent, the lowest of his entire term. When you reach this level of persistent decline, recovery is very difficult. His two biggest challenges between now and the election are, firstly, the macro-economic order—above all controlling inflation—and secondly,

“ **When you reach this level of persistent decline, recovery is very difficult.”**

— Carlos Fara

resolving conflicts with the vice president. In both respects the outlook is quite negative. His main campaign commitment should certainly be for Argentina to have positive expectations once again about the economy, which has not happened for two years. A show of presidential leadership is key for the majority of society to believe that a second term of Alberto Fernández would be positive. But the prospects are negative because Cristina Fernández is willing to exercise her power to control it, even if that harms them both. So the only thing that could help him is for him to win a coalition primary against a candidate who represents her, as long as the Frente de Todos stays united."

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