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FEATURED Q&A

What Would Joining the BRICS Mean for Argentina?



President Alberto Fernández's government is seeking to make Argentina a member of the BRICS bloc of emerging economies. // File Photo: Argentine Government.

Q Argentina is taking part in the virtual Brazil, Russia, India, China and South Africa, or BRICS, Summit, which began with meetings on May 19. Argentina is seeking to join the bloc of emerging economies, and it has the support of Brazil and China, the summit's host country. What might admission to the BRICS forum mean for Argentina's economy, and what would the South American country gain from being a part of the bloc? How might accession to the forum strengthen Argentina's diplomatic relations with Brazil and China, the proposal's two primary supporters? How do the other members of the BRICS bloc view Argentina and the group's potential expansion in Latin America overall?

A Margaret Myers, director of the Asia program at the Inter-American Dialogue: "Argentina's potential membership in the BRICS is part of a broader effort to expand the group by incorporating not just Argentina, but also possibly Egypt, Indonesia, Kazakhstan, Nigeria, the UAE, Saudi Arabia, Senegal and Thailand—all of which took part in the online BRICS ministerial event on May 20. Whether any of these or other countries eventually join the BRICS is up to the members and will be debated in the coming months and years, evidently, but the notion of an expanded BRICS has been tossed around for a while now, roughly dating back to speech made by Chinese Foreign Minister Wang Yi in 2017. It's hard to imagine that joining the BRICS would significantly increase major economic deal-making between Argentina and BRICS nations. The five BRICS countries already engage with Argentina to varying degrees, in line with their own economic and political

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TODAY'S NEWS

POLITICAL

Ecuador's National Assembly Votes to Dismiss Leader

Ecuador's National Assembly voted to dismiss the legislature's leader, Guadalupe Llori, an ally of President Guillermo Lasso.

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ECONOMIC

Mexico's Central Bank Cuts GDP Growth Forecast

Mexico's central bank on Wednesday cut its forecast for the country's gross domestic product growth. The central bank now expects the economy to grow 2.2 percent this year and 2.4 percent next year.

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POLITICAL

Petro, Hernández Virtually Tied in Colombia Race

Center-right populist Rodolfo Hernández has a slight edge over leftist Gustavo Petro in Colombia's presidential race, though the candidates are virtually tied with the difference within the margin of error, a new poll showed.

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Hernández // File Photo: Hernández Campaign.

POLITICAL NEWS

Petro, Hernández Virtually Tied in Colombia Race

Leftist Gustavo Petro and center-right populist Rodolfo Hernández, the two top vote-getters in the first round of Colombia's presidential election, are virtually tied ahead of the June 19 runoff, a new poll showed Wednesday, Reuters reported. The poll by Centro Nacional de Consultoría shows Hernández slightly leading with 41 percent support and Petro with 39 percent support. The difference is within the poll's margin of error of 2.8 percentage points. In the survey, approximately 14 percent did not respond or were undecided, and 5 percent said they would cast blank ballots, a protest move. The survey polled 1,200 people on Monday and Tuesday. In last Sunday's first round of the election, Petro, a current senator, former guerrilla and former mayor of Bogotá, won 40.3 percent of the vote. Hernández, an anti-establishment businessman and former mayor of Bucaramanga, garnered 23.9 percent of the vote. Center-right candidate Federico "Fico" Gutiérrez, who had been running in second place in some polls ahead of the first round, ultimately came in third, failing to win a spot in the runoff. Soon after the results were announced on Sunday, Gutiérrez endorsed Hernández. "Although anything can happen in the next three weeks, Hernández—who is likely to draw a huge proportion of Fico's supporters—seems to be in a stronger position," Michael Shifter, a senior fellow and former president of the Inter-American Dialogue, told the Advisor in a [Q&A](#) published Wednesday. "Petro was prepared to do battle with Fico. Now he will have to adapt and redo his campaign strategy before June 19," he added. Though Colombia's stock market and peso rose on the news that Hernández could beat Petro, the bounce could be short-lived as neither candidate is likely to pursue policies to improve Colombia's trade conditions or reduce its high level of debt, analysts told Reuters. Hernández has vowed to shrink the size of the government and use the resulting savings to

pay off student debt, lower the value-added tax and combine government subsidies into one basic income. Hernández has also vowed to fight corruption, though he himself is being investigated in connection with graft allegations, Reuters reported. Petro has gained recognition by condemning corruption and violence by right-wing paramilitaries and allied groups, the wire service reported.

Ecuador's National Assembly Votes to Dismiss Leader

Ecuador's National Assembly late on Tuesday voted to dismiss the legislature's leader, Guadalupe Llori, EFE reported. The first Indigenous woman to serve in the position, Llori was accused of failure to fulfill her duties and discrediting the assembly, the wire service reported. The move came as a blow to President Guillermo Lasso, who counted Llori as a close ally. In dismissing Llori, the National Assembly appointed the chamber's vice president, independent lawmaker Virgilio Saquicela, to replace her, Reuters reported. In a statement, Saquicela said he invited Lasso to "seek solutions to insecurity, to seek laws that benefit the country [and] to sit down with all sectors to find ways to solve Ecuador's serious problems." Several political parties had sought to remove Llori as the assembly's president, saying she had blocked moves against her leadership and had also failed to convene pending sessions of the legislature. Llori had sought protection from dismissal from Ecuador's judiciary, but judges had left the decision to her fellow lawmakers. Though she was removed as the assembly's leader, Llori retains her position as a member of the body. Llori did not attend the session in which she was removed, and Reuters was unable to reach her for comment. Lasso's government has faced strong opposition in the assembly to his proposals on investment and security, and he has threatened to go around lawmakers by enacting decrees and taking other actions. In addition to legislative opposition, Lasso has faced high levels of violence in Ecuador, as well as deadly prison riots.

NEWS BRIEFS

Argentina's Fernández Confirms Attendance at Summit of the Americas

Argentine President Alberto Fernández confirmed Wednesday in a call with U.S. President Joe Biden that he will attend next week's Summit of the Americas in Los Angeles, Reuters reported. Fernández has been among the leaders pressuring the White House to invite Cuba, Venezuela and Nicaragua to the summit. Other presidents, including Mexico's Andrés Manuel López Obrador, have said they will not attend if any countries in the region are excluded.

Rescuers Seeking to Reach 14 Trapped Miners in Colombia

A coal mining explosion near El Zulia in northern Colombia trapped 14 miners underground on Monday, and rescue teams have been working to save them, despite a gas build-up and heavy rains, BBC News reported today. Jhon Olivares, the regional mining secretary, said that the explosion caused an impact that "was strong and the subsequent fire has generated contaminating gases." One miner on the surface of the coal mine died due to burns from the explosion's wave. Last year, 148 mining-related deaths were recorded in Colombia.

Brazil's Petrobras Agrees to Take Full Control of Italy-Based Ibritermo

Brazilian state oil company Petrobras signed a deal to take full control of electricity company Ibritermo, which is owned by Italy's Edison, the oil company announced Wednesday, Reuters reported. The deal gave Petrobras access to the 50 percent stake in Ibritermo that it did not already own and is part of the company's effort to own assets in which it only had a partial stake. At the close of the contract, Edison is set to receive 2.5 million reais (\$519,200) for the sale.

ECONOMIC NEWS

Mexico's Central Bank Cuts Economic Growth Forecast

Mexico's central bank, known as Banxico, cut its economic growth forecast for 2022 and 2023, given continued supply chain shortages and the war between Russia and Ukraine, according to its quarterly inflation report released Wednesday, Bloomberg News reported. The central bank expects gross domestic product to increase 2.2 percent for 2022, which is lower than the previously estimated 2.4 percent from its report three months ago. Banxico has also estimated that next year's economic growth will stand at 2.4 percent, a decline from the previously expected 2.9 percent increase, Bloomberg News reported. In a Wednesday Twitter posting presenting some of the report's findings, the central bank noted that its expectations for this year and next year's inflation have increased significantly. Referring to the inflation rates, Banxico said that the "medium-term ones increased, while the long-term ones have remained at levels above the goal." Alberto Ramos, chief Latin America economist for Goldman Sachs Group, expects that Banxico will deliver two consecutive 75-basis-point hikes to its key rate to end the year at 9.5 percent, Bloomberg News reported. He said that in Goldman Sachs' assessment, "only clear signs that inflation has peaked is likely to sway" the board from faster tightening in June. [Editor's note: See related [Q&A](#) in the Feb. 7 issue of the Advisor.]

BUSINESS NEWS

High Crude Prices Lead to Windfall for Mexico's Pemex

Petróleos Mexicanos, or Pemex, received \$5.4 billion more than expected in the period from

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interests. China inked a quite a few big deals with Argentina just a few months back, when Fernández signed onto the Belt and Road Initiative. Eventual membership (following Uruguay's example) in the New Development Bank, or BRICS Bank, might afford Argentina some additional access to finance, but China is already reportedly backing a number of infrastructure and energy projects in the country. Argentina's interest in joining the BRICS is symbolically important, however. It's reflective of Argentine support for a G20 alternative, or 'cooperation in the face of a world order which functions for the benefit of a few,' as Fernández noted. A BRICS plus Argentina would take some time to materialize, but Fernández has already received tacit support from Brazil, China and India, according to Télam."

A **Mariano Machado, senior Americas analyst at Verisk Maplecroft:** "Argentina's relationship with the BRICS group is longstanding. The group accounts for approximately 30 percent of the country's exports and 43 percent of imports, and Argentina participated in the bloc's 2014 (Brasília) and 2018 (Johannesburg) summits. Importantly, Beijing has been the driving force behind past and current invitations. So, despite any hurdles in the formal accession process, the fact that Buenos Aires takes priority is

evidence of a shift in gears in China-Latin America and Caribbean (LAC) relations. China's presence in the region increased as the United States became less involved. In turn, most LAC countries—regardless of political hues—are now launched into a strategy of maximizing gains stemming from the

“**The fact that Buenos Aires takes priority is evidence of a shift in gears in China-Latin America and Caribbean (LAC) relations.**”

— Mariano Machado

navigable space between the East and West. Argentina is no exception and has carefully nurtured relations with Beijing, leveraging on it to secure institutional participation, such as the BRICS accession discussion, and material gains—mostly in investment infrastructure. The country's accession to the Asian Infrastructure Investment Bank (in 2021) and the Belt and Road Initiative (in 2022) are key examples of this strategy, and the fact that the next goal is full membership in the New Development Bank (the BRICS financial arm) reinforces this link. Moving forward, we expect President Alberto Fernández to double down on this path, even aiming to

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January to May, reaching \$13 billion for crude sold in international markets, Bloomberg News reported Wednesday, citing a person familiar with the situation. The Mexican state oil company's surplus revenue has been attributed to the year-to-date crude price rally. Furthermore, the figures do not take taxes into account. The company's debt stood at \$108.1 billion at the end of March, and the company saw \$6 billion in profits in the first quarter of this year, the news service reported. With the international price rally of oil prices, Pemex abandoned its previously announced plans to cut its exports by 50 percent this year, which had been an

effort to make Mexico more self-sufficient in its oil consumption, Reuters reported. The company's crude oil exports in April went up 13 percent in comparison to the month before, reaching just over one million barrels of crude per day (bpd). Due to the high costs related to the importation of diesel and gasoline, the Mexican government has begun to subsidize prices at the pump, Bloomberg News reported. On Tuesday, Pemex announced that it will be using a peer-to-peer refinancing program in an effort to pay back \$2 billion in debt with suppliers and contractors, the Financial Times reported.

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become the first country in LAC to secure a 'comprehensive strategic cooperative partnership'—the highest level of bilateral relations with Beijing. Framed by ongoing geopolitical tensions, the question is whether his administration will be skillful enough to keep a balanced 'multipolar' strategy."

A Tara Hariharan, managing director of global macro research at NWI Management LP: "The BRICS represent 42 percent of the world's population and 18 percent of global trade, and the group has notably instituted the New Development Bank (NDB) to multilaterally finance sustainable development in emerging markets (EMs). China is a major initiator of recent plans to expand the BRICS to a 'BRICS Plus' cooperation model simulating an EM G20. Argentina stands to benefit from access to the NDB but may not merit the BRICS imprimatur given that it is a highly indebted, dysfunctional economy heavily dependent on IMF support. Argentina has already engaged closely with China this year, joining the Belt and Road Initiative (the real 'BRI' in BRICS?) and increasing bilateral cooperation in various sectors. Argentine President Fernández also views Argentina as 'a door for Russia to enter Latin America in a more decisive way.' However, it is unclear if BRICS membership yields many benefits

beyond closer ties to China. Intra-BRICS tensions abound: Brazil supports Argentina's BRICS accession but has condemned Russian aggression in Ukraine. India-China border conflicts have simmered for years,

“ It is unclear if BRICS membership yields many benefits beyond closer ties to China.”

— Tara Hariharan

and India bristles at China's increasing economic and strategic influence globally. The BRICS are already a mismatched set as South Africa's growth lags the others. Besides, China and Russia seem most keen to expand BRICS membership in Latin America as a way to create alternative economic allegiances to the United States-based multilateral order. Mexico is a potential BRICS candidate, but it already belongs to the West-centric OECD, and Latin American nations may be generally wary about choosing sides amid the Russia-Ukraine war and worsening U.S.-China relations."

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

LATIN AMERICA ADVISOR

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

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gene.kuleta@thedialogue.org

Leticia Chacón

Reporter
lchacon@thedialogue.org



Rebecca Bill Chavez, President

Bruno Binetti, Nonresident Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Senior Advisor

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Jeffrey Puryear, Senior Fellow

Michael Shifter, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Nonresident Senior Fellow

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

Subscription inquiries are welcomed at ebrand@thedialogue.org

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