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## FEATURED Q&A

# What Is Leading to Food Insecurity in Latin America?



Malnutrition in Latin America hit a 15-year high last year in Latin America and the Caribbean, according to the United Nations' World Food Programme. Corn crops in Honduras are pictured. // File Photo: Honduran Government.

**Q** The number of undernourished people in Latin America and the Caribbean in 2021 reached 56.5 million people, the highest number in more than 15 years, according to the World Food Programme's State of Food and Nutrition in the World 2022 report. Approximately 64 percent of the Caribbean's population experiences either moderate or severe food insecurity, while the states of food insecurity exist in about 38.9 percent of Central and South America combined. What are the key drivers for the increase in food insecurity in Latin America and the Caribbean, and which countries are most affected? Why is there such a large disparity in food insecurity between the Caribbean and the rest of the region? How is food insecurity affecting Latin American and Caribbean countries' political and economic stability? What can governments and international actors do to alleviate the rise in food insecurity in the region?

**A** Lola Castro, regional director for Latin America and the Caribbean at the World Food Programme: "The socioeconomic fallout of Covid-19, compounded by the impact of recurrent weather-related disasters (hurricanes, prolonged dry spells, floods) are the main drivers of food insecurity in the region. We have seen the impact in all the countries where we work. This has resulted in the rise of food inflation, as well as job and income losses. The loss of purchasing power has left millions of people with no access to their basic food baskets. In contrast with other countries in the region, Caribbean islands import more than 80 percent of their food needs; therefore, any spike in international prices will leave the basic food basket out of reach of the

Continued on page 3

## TODAY'S NEWS

### ECONOMIC

## Ecuador Making Debt Payments Despite Asset Freeze: Gov't

Ecuador's said it has still been making debt payments despite the move by a court in Luxembourg to freeze its assets there amid a dispute with oil company Perenco.

Page 2

### BUSINESS

## BP, Bunge to Sell Brazilian Sugar, Ethanol Venture

Britain's BP and U.S.-based Bunge have reportedly put their Brazilian sugar and ethanol joint venture, BP Bunge Bioenergia, up for sale.

Page 3

### POLITICAL

## Venezuela Seeking to Re-establish Military Ties With Colombia

Venezuelan Defense Minister Vladimir Padrino said President Nicolás Maduro had instructed him to contact his new Colombian counterpart in order to re-establish military ties between the two countries.

Page 2



Padrino // File Photo: Venezuelan Defense Ministry.

## POLITICAL NEWS

## Venezuela Seeking to Re-establish Military Ties With Colombia

Venezuela is seeking to re-establish military ties with Colombia, Reuters reported Tuesday, citing a tweet from Venezuela's defense ministry. Venezuela's defense minister, General Vladimir Padrino, said President Nicolás Maduro had instructed him to contact his new Colombian counterpart, Iván Velásquez, in order to "re-establish their military relations," according to the Venezuelan defense ministry's tweet. The announcement came two days after leftist Gustavo Petro was sworn in as Colombia's president. The Colombian defense ministry did not immediately respond to a request from Reuters for comment. Venezuela broke off diplomatic relations with Colombia in 2019 after Venezuela's opposition, with U.S. backing, sought to transport humanitarian aid into Venezuela from Colombia, a move that Venezuela's government deemed as an aggressive action from Bogotá, Reuters reported. An audit in 2021 from the U.S. Agency for International Development, or USAID, concluded that the aid effort during the administration of then-U.S. President Donald Trump was not planned in accordance with humanitarian principles, the wire service reported. Last month, Caracas and Colombia's incoming government announced that they would name ambassadors to each other's capitals and also work together to strengthen security along the countries' shared border. Petro has already said he wants to re-establish and normalize crossings along the border. "The normalization of relations with Venezuela will mark a certain Colombian 'return to the region,'" David Castrillón Kerrigan, a professor and researcher at Universidad Externado de Colombia, told the Advisor in a [Q&A](#) published July 1. In the same issue, Andrés Martínez-Fernández, senior analyst for Latin America at FrontierView, told the Advisor that Petro's moves to normalize relations with Venezuela reinforces "the regional swing against efforts to isolate the Maduro regime."

## Colombia Detects Some \$20 Billion in Money Laundering

Colombia's financial crimes unit has detected approximately \$20 billion in financial operations possibly linked to money laundering over the last three and a half years, Reuters reported Tuesday. The figure, which is 6 percent of the Andean country's annual gross domestic product, was detected through more than 20,000 suspicious activity reports that the Financial Information and Analysis Unit, or UIAF, had flagged between 2019 and the middle of this year. "In the last few years, we've hit the accelerator and the learning curve in terms of interception of illicit funds," Javier Gutiérrez, UIAF's director, told the wire service. Fake or inflated invoices, exports, currency trading and cryptocurrencies are among the approximately 570 channels the unit found that have been used to launder money in Colombia, Gutiérrez said. "In importance, drug trafficking is the one that generates the most resources, and corruption is second for the harm it does to public investment and social programs," he added. Last week, Gutiérrez told Bloomberg Línea that the financial crimes unit "has already detected possible money laundering and terrorist financing operations using virtual assets."

## ECONOMIC NEWS

## Ecuador Making Debt Payments Despite Asset Freeze: Gov't

Ecuador's government said Tuesday that it is still complying with its obligations to make payments on external debt despite a decision by a court in Luxembourg to freeze the government's assets there in the midst of a dispute with Anglo-French oil company Perenco, Reuters reported. Quito "promptly complied" with \$185.7 million in bond payments that were due July 31, the country's economy ministry

## NEWS BRIEFS

## Guatemalan Prosecutors Charge Journalist With Four Felonies

Guatemalan prosecutors on Monday charged journalist José Rubén Zamora with four felonies, including money laundering, influence peddling, conspiracy and blackmail, Agence France-Presse reported. Zamora, the founder of newspaper El Periódico, was arrested last week "not for his journalist work, but as a businessman," a Public Prosecutor's Office representative told AFP. El Periódico's staff has denounced the arrest as retaliation for Zamora's reporting on the government of President Alejandro Giammattei. The journalist has called the case against him a "set-up" by the president and Attorney General Consuelo Porras, the news service reported.

## Firefighters Bring Fire Under Control at Cuban Oil Storage Facility

Firefighters in Cuba on Tuesday were finally able to control the fire that destroyed 40 percent of the Matanzas super tanker port, Cuba's primary fuel storage facility, and caused widespread blackouts, Reuters reported. The fire, which officials have described as the worst in Cuba's history, has lasted more than five days and ravaged a four-tank segment of the facility after lightning struck a fuel storage tank last Friday.

## Rescue Crews in Mexico to Dispatch Drone in Effort to Reach Trapped Miners

Rescue crews in Mexico will try to send an aquatic drone into a collapsed coal mine in Coahuila state where 10 miners have been trapped since last week, the Associated Press reported today, citing Laura Velázquez, the national civil defense coordinator. Velázquez added that 25 pumps have been working to remove water from the flooded mine.

said. Perenco announced last week that it had persuaded a court in Luxembourg to freeze Ecuadorian government accounts that are used to make bond payments, “raising the possibility of the country defaulting on its bond coupon payments” amid a dispute with Ecuador’s non-payment of a \$412 million debt to the company that the World Bank’s International Centre for Settlement of Investment Disputes, or ICSID, has ordered it to pay. Ecuador will pay its debts to Perenco, but the payments have become complicated because the company still owes tax in Ecuador, said the economy ministry, Reuters reported.

## BUSINESS NEWS

# BP, Bunge to Sell Brazilian Sugar, Ethanol Venture

British oil company BP and U.S. commodities trader Bunge have put BP Bunge Bioenergia, their Brazilian sugar and ethanol joint venture, up for sale, Reuters reported Tuesday, citing Valor Econômico. The joint venture, which was formed in 2019, “is capable of producing over 1.5 billion liters of ethanol, 1.1 million tons of sugar and exporting 1,200 GWh of energy to the Brazilian power grid,” Bunge says on its website. BP Bunge Bioenergia also has the capacity to crush 32 million tons of sugar cane annually. Brazilian energy company Raizen, which is a joint venture of Shell and Cosan, and United Arab Emirates-based Mubadala are two of the companies interested in buying BP Bunge Bioenergia, according to unnamed individuals close to the matter, Reuters reported. Bunge is assessing options to exit its joint venture with BP, the company told the wire service in a statement. “While we are pleased with how the business is performing, it is not core to our overall business strategy,” Bunge said in the statement. JPMorgan is set to advise BP Bunge on the sale of the company, which has assets valued at between 9 billion and 10 billion reais (\$1.96 billion), Valor Econômico reported.

## FEATURED Q&A / Continued from page 1

most vulnerable. The international community needs to step up its support to vulnerable communities to help them become resilient to climatic and economic shocks. We need to work with countries by helping them to develop sustainable food systems, with a focus on access to healthy diets, school feeding and nutritional education, climate resilience and risk management, family farming, intraregional trade and innovation.”

**A** **Johanna Mendelson Forman, distinguished fellow at the Stimson Center and adjunct professor at American University’s School of International Service:** “At the heart of food insecurity is the region’s history of income inequality. This year, inflation is projected to rise mainly due to rising commodity prices and global supply

disruption, the result of the war in Ukraine. The poor will be most affected. In 2022, the budget share of food and energy prices in the Latin American consumption basket increased 40 percent. Thirty percent of people in parts of Latin America and the Caribbean are skipping meals. During the pandemic, Caribbean countries have suffered from food insecurity because of their reliance on food and non-food imports. Climate change has brought devastating natural disasters, and their economies suffered further as tourism almost disappeared, causing revenue losses and unemployment. Most residents do not have access to money to purchase adequate food. Political insecurity and gang violence exacerbated the deterioration of food supplies and agricultural activities. Venezuela, Honduras and Guatemala were also highlighted in the 2022 report as approaching dangerous levels of hunger, directly caused by rising prices and climate change. Food insecurity and conflict go hand in hand. Demonstrations are happening across the region, as people take to the streets to protest higher prices. In the short run, social protection programs and helping rural citizens with seeds and fertilizer can provide some relief.

But climate issues challenge the capacities of many governments to respond. The international donor community is helping, but the longer term will require both national and regional strategy to address climate change, food insecurity and the impact of ongoing migration. The World Food Programme has been overwhelmed by the war in Ukraine and 40 global conflicts. Donor contributions are insufficient to meet the needs of all these crises. U.S. government support for humanitarian food aid must be coupled with programs that address the needs for resiliency in agriculture and social support to the poorest citizens. In the short run, these are not easy needs to meet, but Latin America has the capacity to help prevent hunger and food insecurity in the future as a net food exporter.”

**A** **Monica Ganley, principal at food and agriculture firm Quarterra Consulting & Advisory:** “Food insecurity is always a concern in Latin America and the Caribbean, but the impact of the pandemic and the resulting economic challenges have exacerbated the issue. In addition to the obvious loss of human life, the pandemic has had devastating consequences for the region, as many people suddenly found themselves out of work and unable to provide for their families. The situation was particularly dire in the Caribbean, where tourism accounts for a disproportionate percentage of economic activity and plays a key role as a major employer. The tourism industry has been slow to recover as fears combined with a labyrinth of travel restrictions have prevented travelers from making their way to the region. Another key driver of food insecurity is inflation. Like people around the world, consumers in Latin America and the Caribbean have seen prices rise for food and for other goods. This dynamic is particularly concerning when a large portion of the household budget is spent on food, as we see with many of our most vulnerable populations in the region.

Continued on page 4

## FEATURED Q&amp;A / Continued from page 3

The situation is further complicated by deteriorating local currencies, which have lost ground against a strong U.S. dollar. This undermines the purchasing power of consumers in the region. After borrowing heavily during the pandemic, governments are hamstrung and unable to provide sufficient assistance to their people.”

**A** **Shunko Rojas, managing partner at Quipu Advisors and former Argentine undersecretary for international trade:** “The latest data indicates that food insecurity affects 267 million people in Latin America and the Caribbean (LAC)—the highest figure since 2000. The prevalence of hunger in the region has reached 9.1 percent, slightly below the world average of 9.9 percent. Food insecurity in LAC is intrinsically linked to the structural inequality of the region, as well as to the high levels of poverty and poor infrastructure. In recent years, the situation has worsened significantly due to the disruptions brought on by both Covid-19 and the Ukraine-Russia war, together with increasing inflation, which have exacerbated a trend of rising poverty existing since 2015. Furthermore, the situation in the Caribbean is more acute due to the region’s particular vulnerability to climate change, its insularity and the lack of self-sufficiency in food production. In small Caribbean countries, food can account for more than 20 percent of total merchandise imports. Food insecurity, coupled with inflation and supply chain disruptions, is upsetting the fragile political and economic stability of the region. Argentina, Colombia, Costa Rica, Chile, Ecuador and the Dominican Republic, just to mention a few, have experienced a significant increase in social unrest in the past couple of years. Governments need to take urgent and bold actions. The recent Twelfth World Trade Organization Ministerial Conference’s decision to ban export restrictions on food for humanitarian efforts is an important step in the right direction. Governments should apply tax and

tariff reductions on food imports to alleviate the situation in the short term, and increase investments in rural infrastructure, technology and human capital to build resilient food production systems.”

**A** **Juan Carlos Sikaffy, former president of the Honduran Council of Private Enterprise (COHEP):** “The global inflationary crisis is having a strong impact on Latin America, mainly in small countries characterized by open economies where inflation is already in double digits and where the basic food basket is now considerably more expensive. In countries with these economies, such as Honduras, food inflation last month stood at 17.58 percent compared to July 2021 and contributed 53 percent of the general inflation for the month. Therefore, conflicts, extreme weather conditions, economic shocks, the lingering aftermath of Covid-19 and the knock-on effects of the war in Ukraine will lead to a food crisis, as rising food and fuel prices push nations to instability, according to the new hunger hotspot report. People in Latin America and the Caribbean spend between 20 percent and 59 percent of their income on food, according to the Inter-American Development Bank. To alleviate the increase in food insecurity in the region, governments must invest in basic services such as water and sanitation and protection programs for vulnerable groups, as well as implement a coherent food security policy that is key to socioeconomic development. The policy must be based on an analysis of the balance of supply and demand of basic foods at the global, national, regional and family levels, with analysis at the family level being the key. It is also very important that food access and stability be a function of governments in choosing monetary, fiscal, trade, social and investment policies to create an economic environment conducive to achieving food security in the face of transient fluctuations and longer-term trends in the food supply.”

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