LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Friday, March 10, 2023

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Merike Blofield
Director, Institute for Latin American Studies, GIGA

Devry Boughner Vorwerk
CEO, DevryBV Sustainable Strategies

Joyce Chang
Global Head of Research, JPMorgan Chase & Co.

Paula Cifuentes
Director of Economic & Fiscal Affairs, Latin America & Canada, Philip Morris International

Marlene Fernández
Corporate Vice President for Government Relations, Arcos Dorados (McDonald's)

Peter Hakim
President Emeritus, Inter-American Dialogue

Donna Hrinak
Senior VP, Corporate Affairs, Royal Caribbean Group

Jon E. Huenemann
Council Member, GLG Inc.

James R. Jones
Chairman, Monarch Global Strategies

Craig A. Kelly
Senior Director, Int'l Gov't Relations, Exxon Mobil

Barbara Kotschwar
Executive Director, Visa Economic Empowerment Institute

John Maisto
Director, U.S. Education Finance Group

Nicolás Mariscal
Chairman, Grupo Marhnos

Thomas F. McLarty III
Chairman, McLarty Associates

Beatrice Rangel
Director, AMLA Consulting LLC

Ernesto Revilla
Head of Latin American Economics, Citi

Gustavo Roosen
President, IESA

Andrés Rozental
President, Rozental & Asociados

Shelly Shetty
Managing Director, Sovereigns Fitch Ratings

THEDIALOGUE

FEATURED Q&A

What Does the War in Ukraine Mean for Latin America?

Most leaders in Latin America and the Caribbean have taken a neutral stance on the war in Ukraine. The Russian bombing of Mariupol in March of last year is pictured. // File Photo: Ukrainian Ministry of Internal Affairs via Creative Commons.

Q At the end of February, Russia's war with Ukraine entered its second year. It triggered the biggest military confrontation in Europe since World War II. The United States, strongly opposed to the war, condemned the invasion from its onset. Leaders across Latin America and the Caribbean, however, for the most part have adopted a more neutral stance. What explains the region's ambiguous position on the war in Europe? How have the positions countries have taken affected their relations with the United States, Russia and Europe? What are the ongoing war's biggest implications for Latin America from an economic perspective?

A Arturo Sarukhan, board member of the Inter-American Dialogue and former Mexican ambassador to the United States: "If we measure how they have responded to the premeditated and unjustified invasion of a sovereign nation, the result is rife with contradictions. Latin American and Caribbean governments hew to the Westphalian view of international relations, where national sovereignty, nonintervention, multilateralism and respect for international law are key tenets of their diplomatic postures. This would suggest that a clear and present violation of the U.N. Charter should have triggered widespread condemnation of Russia. However, the result seems to suggest that a majority tend only to condemn intervention when the United States is the intervener. Most of the region's countries have attempted to remain cautiously neutral—some, like the two regional diplomatic powerhouses, Mexico and Brazil, have maintained a pro-Russian 'neutrality'—while

Continued on page 2

TODAY'S NEWS

POLITICAL

Cartel Purportedly Apologizes for Americans' Deaths

A letter claiming to be from a faction of Mexico's drug cartel apologized for the abduction of four Americans and the killing of two of them.

Page 2

BUSINESS

Petrobras, Shell Eye Opportunities for Cooperation

Petrobras and international oil major Shell will cooperate to find opportunities for exploration and production, the Brazilian company said Thursday.

Page 3

POLITICAL

Canada May Not Have Capacity to Lead Haiti Mission: General

Canada, which is providing support to Ukraine and NATO, may not have the capacity to also lead a mission to provide security to Haiti, Wayne Eyre, Canada's chief of the defense staff, said Thursday.

Page 2

Eyre // File Photo: NATO.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Canadian General Concerned About Capacity for Haiti

Canada's top general expressed concerns that his country's military does not have the capacity to lead a mission to help provide security in Haiti, Reuters reported Thursday. Canada's armed forces are already consumed with providing support to Ukraine and NATO, Chief of the Defense Staff Wayne Eyre told the wire service in an interview in Ottawa. "My concern is just our capacity as we rebuild, as we move to brigade level in Latvia," Eyre said. "There's only so much to go around ... It would be challenging," he added. Last year, Canada planned a budget for a slight rise in military spending over the coming five years. It will spend approximately 1.3 percent of its annual output on defense spending, still below the 2 percent that the North Atlantic Treaty Organization seeks, Reuters reported. Canadian officials have said that the United States has pressed hard for Canada to take on a greater security role in Haiti, and U.S. President Joe Biden may also transmit that message when he visits the country later this month, the wire service reported. "Today's U.S. strategy seems mostly limited to pressing Canada and a few other nations to take more leadership on Haiti and calling on the Haitians themselves to reach consensus on how the United States should proceed. This is not a strategy; it leads nowhere," Peter Hakim, president emeritus of the Inter-American Dialogue, told the Advisor in a **Q&A** published Jan. 24. "The United States must become heavily engaged or nothing will be done," Hakim added. He said Haiti needs "a serious, sustained, vigorous diplomatic initiative to develop an understanding of the players, politics, money trails and power dynamics of Haiti" and also "encourage and persuade Haiti's many disparate political, business and civil society groups toward a consensus on a strategy for cooperation with the United States and the international community."

Cartel Purportedly Apologizes for Killings of Americans

A letter claiming to be from a faction of Mexico's Gulf drug cartel apologized for the abduction of two Americans and the killing of two of them in the border city of Matamoros, the Associated Press reported today. It said

FEATURED Q&A / Continued from page 1

others have even continued to cooperate and trade with Russia. Fueled by Moscow's propaganda and disinformation, some even argue that Putin is legitimately responding to the expansion of NATO and Ukrainian provocations. And generally anti-Western views arguing that there are inequalities in the international order favoring the West have led to contradictions between the way foreign ministries have voted at the United Nations, and their presidents, who have repeatedly been reticent to condemn Putin. Again, in this particular case, Brazil and Mexico are the most salient examples: both Lula and López Obrador have recurred to the false equivalence of equating Ukraine's—and the West's—efforts to repel the invasion in accordance with Article 51 of the U.N. Charter regarding the inherent right of individual or collective self-defense, with Russian aggression. López Obrador even went as far as to state that while Biden was his 'partner,' Putin was his 'friend.' And while in some instances there may be realpolitik at play (Brazil's membership in the BRICS) as a means to increase autonomy and enhance bargaining power, the end result is a region that seems to have lost its moral compass when it comes to global geopolitics, fueled by 'if they—the geopolitical West—did it before, why should we in the Global South criticize Russia now.' "

Continued on page 4

NEWS BRIEFS

Illegal Goldminers' Roadblocks Causing Shortages in Colombia

As many as 30,000 people in Colombia are experiencing shortages of food and medicine after illegal goldminers blocked off roads in protest of authorities destroying their machinery, ministers said on Thursday, Reuters reported. Goldminers in 12 largely rural municipalities across Antioquia and Córdoba provinces took part in the protests. The machines were causing a "highly sensitive disaster to the environment and endangering the lives of the inhabitants ... as well as the environmental sustainability of the region," Interior Minister Alfonso Prada said in a televised address.

Top Brazilian Foreign Policy Advisor Meets With Venezuela's Maduro

Celso Amorim, the top foreign policy advisor to Brazilian President Luiz Inácio Lula da Silva, met Wednesday in Caracas with Venezuelan President Nicolás Maduro, Reuters reported. Amorim, a former Brazilian foreign minister, also met with Venezuelan opposition officials, including Gerardo Blyde, a lawyer who leads the opposition's negotiations with Maduro's government. The aim of Amorim's trip was to establish contact with both sides before Venezuela's scheduled elections next year.

Argentina Swaps Domestic Debt Worth $21.66 Billion

Argentina swapped 4.34 trillion pesos ($21.66 billion) in domestic debt, which amount to some 64 percent of the loans due to mature by June, Reuters reported. The move relieves some fears of a debt default as the country's economy struggles amid a devastating drought. The swap exchanges the loans for new bonds that mature in 2024 and 2025 and will help "preserve the sustainability of the Treasury debt," the economy ministry said.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

it turned over its own members who were responsible, the Associated Press reported today. "We have decided to turn over those who were directly involved and responsible in the events, who at all times acted under their own decision-making and lack of discipline," reads the letter claiming to be from the cartel's Scorpions faction, the AP reported. The letter adds that the cartel members responsible had violated the gang's rules, which include "respecting the life and well-being of the innocent." The AP obtained the letter through an official in Tamaulipas state, where Matamoros is located. Police in Matamoros early Thursday found five men bound with zip ties in a truck near the location where the four Americans were abducted last week, The Washington Post reported. There was no confirmation from authorities that the men were the ones behind the attack on the American tourists, who had traveled into Mexico so that one of them could undergo cosmetic surgery. Drug cartels have occasionally issued statements in attempts to intimidate rivals and opponents but also to try to smooth over incidents that could be bad for their business, the AP reported. The letter and handover of the five men "seems like a strategic move to ease pressure," security analyst Alejandro Hope told The Washington Post.

BUSINESS NEWS

Petrobras, Shell to Seek Opportunities for Cooperation

Brazilian state-owned company Petrobras and international oil major Shell will cooperate to find opportunities to explore and produce crude and natural gas, Petrobras said on Thursday, Reuters reported. The two companies signed a memorandum of understanding that focuses on exploration and production inside and outside Brazil's offshore pre-salt fields, off the coast of southeastern Brazil. "The companies will work together to identify potential upstream business opportunities, sharing experiences and best practices in carbon emissions reduction and socio-environmental initiatives," the Brazilian state-owned company said. The pre-salt fields had been a priority for President Luiz Inácio Lula da Silva during his first term as president, a decade ago, the news service reported. Lula had commonly referred to the offshore oil riches as the country's future development. Earlier this week, however, Chief Executive Officer Jean Paul Prates said in a statement that Petrobras will seek to shift toward cleaner energy and plans to invest in large-scale green energy projects. The state-owned company recently also announced it was evaluating seven offshore wind power projects along the Brazilian coast in partnership with Equinor, Norway's national energy major. The five-year partnership between Petrobras and Shell will include "renewable energy and carbon capture and storage," Petrobras said.

THE DIALOGUE CONTINUES

What Issues Will Drive Argentina's Presidential Race?

Q Center-right opposition Buenos Aires Mayor Horacio Rodríguez Larreta last month announced his candidacy for president of Argentina. Though Larreta is the first candidate to formally enter the race, he faces a number of challengers, including Congresswoman María Eugenia Vidal and former Security Minister Patricia Bullrich. Incumbent President Alberto Fernández has hinted that he will seek a second term, but he faces resistance from groups that support Vice President and former President Cristina Fernández de Kirchner. What factors will be most critical in determining who wins the nominations of the governing party and the opposition? What messages and policy proposals will resonate most with voters in the Oct. 22 election? What's at stake for Argentina in this year's vote?

A Mariano Machado, principal analyst for the Americas at Verisk Maplecroft: "Amid a triple-digit inflation rate and strong anti-incumbency sentiment, Argentina's electoral outlook remains wide open. The ruling Frente de Todos is stuck between President Alberto Fernández's self-promoted re-election bid, and Vice President Cristina Kirchner's self-imposed decision not to compete. With trust in government nearing the lowest level since 2003, not even the possibility of a unity candidate (in the shape of Economy Minister Sergio Massa) appears to solve this standoff. In the main opposition coalition, Juntos por el Cambio, the outlook is equally cloudy. The coalition has remained intact since being ousted from office in 2019 but has failed to agree on an internal mechanism to solve its leadership dispute. Thus far, polls put Horacio Rodríguez Larreta at the head of the opposition pack, betting heavily on a centrist strategy. Nonetheless, we expect him to have to compete for the presidential nomination against several other contenders, most of whom are betting heavily on polarization against Kirchnerism—maybe even including former president Mauricio Macri. Amid the cracks, support for brash libertarian Javier Milei of La Libertad Avanza continues to bubble up. By attacking the country's 'political caste'—which he blames for perpetuating failed statist policies and privileges—Milei's discourse resonates with fed up, impoverished voters. As things stand, Argentina's 2023 elections could act as a useful bellwether for wider regional trends, including whether there might be a culture shift toward democratic alternation, or if a whole new class of populist 'outsiders' is coming up to further undermine traditional party politics."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Thursday's issue of the Advisor.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 2

Joshua Simon, assistant professor of political science at Johns Hopkins University: "Rather than 'neutral' or 'ambiguous,' the term I would use to describe Latin America's position on the war in Ukraine is 'nonaligned.' That term better captures both historical roots and the ultimate aims of the region's contemporary diplomatic strategy, which is not improvisational or opportunistic. To be sure, neutrality offers opportunities for Latin American nations still reeling after the Covid-19 pandemic and suffering from the highest levels of poverty in decades. Disrupted supply chains have driven inflation for the region's consumers but also raised prices and opened new markets to the region's exporters. The Biden administration's anxiety to cushion the damage its sanctions regime inflicts on allies has diminished its support for the Venezuelan opposition, offering what we can only hope the Maduro regime sees as an opportunity to lead a transition to more regular democratic procedures. But nonalignment is more than neutrality. In the period following the second World War, Latin America joined Asian, African and Eastern European nations emerging from imperial rule in a concerted refusal to take sides with either the Soviet or Western blocs, cooperating instead on efforts to construct a more peaceful and egalitarian world order, within which their countries could enjoy stable self-rule and the fruits of economic development. In our present, and very different, but still distinctly bipolar world, non-alignment once again describes an active and intentional effort to forge ties across the Global South, halt escalating tensions between the United Stated and China and restructure global commerce to better serve those who are suffering most under the present global order."

> **"The term I would use to describe Latin America's position on the war in Ukraine is 'nonaligned.' "**
>
> **— Joshua Simon**

Douglas Farah, president of IBI Consultants: "The reasons for Latin America's general neutrality over the Russian invasion of Ukraine are both historic and contemporary. The Cold War legacy of military and political intervention and decades of anti-Communist propaganda have created a default distrust for U.S. motives and messages for many in the region. While much changed with the end of the Cold War and its proxy wars, the legacy remains strong, with the pro-Russia and anti-U.S. messaging amplified by the non-democratic, populist authoritarian left led by of Nicolás Maduro and Daniel Ortega. This amplification is part of an ongoing, concerted and coordinated effort to expand Russian information operations in the region that provide narratives that resonate in Latin America. The operations are led by Actualidad RT and Sputnik Mundo—both Russian state outlets with large followings in Latin America–amplified by the Bolivarian Telesur regional network and dozens of pro-Russian social media influencers who coordinate the messaging to millions of followers. The narratives portray Ukrainian forces as Nazis and occupiers, but most of the content is anti-U.S. rather than pro-Russia. This includes blaming the United States and NATO for fertilizer shortages causing famines of 'Biblical proportions,' accusing the U.S. of pillaging the region's water and minerals and Western sanctions for rising fuel prices. This effective melding of historic distrust with current narratives of U.S. skulduggery have made taking a neutral stance the least controversial policy for many countries; a clear win for Russia when most of the countries in the hemisphere closest to the United States do not support the U.S. position."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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

Gene Kuleta
Editor

Lara Kovandova
Reporter

THEDIALOGUE

Rebecca Bill Chavez, President
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Álvaro Botero, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Kevin Casas-Zamora, Nonresident Senior Fellow
Cristóbal Cobo, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Rasheed Griffith, Nonresident Senior Fellow
Courtney Guthreau, Director of Development
Peter Hakim, President Emeritus & Senior Fellow
Selina Ho, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Michael Matera, Nonresident Senior Fellow
Ángel Melguizo, Nonresident Senior Fellow
Margaret Myers, Director, Asia Program
Manuel Orozco, Director, Migration, Remittances and Development Program
Jeffrey Puryear, Senior Fellow
Michael Shifter, Senior Fellow
Daniela Stevens, Director, Energy, Climate Change & Extractive Industries Program
Lisa Viscidi, Nonresident Senior Fellow
Carlos Winograd, 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

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.