LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Monday, August 14, 2023

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THEDIALOGUE

FEATURED Q&A

What Would BRICS Expansion Mean for Latin America?

Bolivian President Luis Arce plans to attend this month's BRICS summit in South Africa. The South American country is seeking stronger economic partnerships. // File Photo: Bolivian Government.

Q Bolivian President Luis Arce will attend the BRICS Summit in South Africa, which will take place from Aug. 22-24, in a bid to secure partnerships and more investment, the country's foreign minister said on July 31. What does Arce's presence at the summit mean for the group, and what will be the key topics of discussion? How important is the BRICS bloc to Latin America? How likely is it to expand and grant membership to more countries in the region?

A Tara Hariharan, managing director of global macro research at NWI Management LP: "Arce courts Bolivia's inclusion in the BRICS bloc to strengthen economic partnerships and develop Bolivia's large lithium reserves (in which China and Russia already invest). He also seeks the decreased use of the U.S. dollar in the Bolivian economy in an increasingly multipolar world. Appropriately, the summit will focus on membership expansion. Bolivia aside, Argentina, Cuba, Honduras, Mexico and Venezuela all have shown interest in joining the BRICS, seeking closer trade ties with China and infrastructure funding from BRICS' New Development Bank (NDB). However, existing BRICS members disagree on the pace and extent of enlargement. China and Russia endorse rapid expansion to challenge the U.S.-led economic order. South Africa supports expansion while staying neutral vis-à-vis the West. But Brazil and India are less keen on increasing membership. Brazil fears dilution of its influence in a larger pool; India is wary of China's rising sway and rejects an overtly anti-American BRICS stance given increasing U.S.-India economic and defense cooperation. The summit will also discuss global trade, geopolitics and infrastructure development; a long-term

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Brazil's Lula Unveils $200 Bn Infrastructure Initiative

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Arbitration Court Awards Exxon $77 Mn in Dispute With Venezuela

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Far-Right Populist Tops Argentina's Presidential Primary Election

Far-right populist Javier Milei emerged Sunday as the top vote-getter in Argentina's presidential primary election.

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Milei // File Photo: @JMilei via X.

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POLITICAL NEWS

Far-Right Populist Milei Tops Argentina Primary Election

Far-right populist Javier Milei emerged Sunday as the top vote-getter in Argentina's primary elections, which are seen as an indicator of voter support ahead of the country's general election in October, the Associated Press reported. Milei is an outsider libertarian economist and an admirer of former U.S. President Donald Trump. Milei has called for abolishing Argentina's central bank, has denied the existence of climate change, has called sex education a plot to destroy families, has said the sale of human organs should be legal and has said it should be easier for people to own handguns, the AP reported. In a celebratory speech to supporters, Milei said he would bring "an end to the parasitic, corrupt and useless political caste that exists in this country," the AP reported. "Today we took the first step toward the reconstruction of Argentina," he added. With 96 percent of the votes counted, Milei won 30.1 percent of the vote, 10 points higher than pollsters had expected, the Financial Times reported. The center-right Together for Change coalition won 28.3 percent of the vote, with voters selecting former Security Minister Patricia Bullrich as the coalition's candidate over Buenos Aires Mayor Horacio Rodríguez Larreta. "As Argentines we live with distress, with fear, unable to dream, plan or live a normal life. But today we have reasons to work together, to guide and lead a profound change in Argentina, a change that leaves corruption behind forever, paving the way for austerity," Bullrich said Sunday, the AP reported. The ruling Union for the Homeland coalition, whose candidate will be Economy Minister Sergio Massa, garnered 27.2 percent of the vote. "We have 60 days to turn this election around," Massa told supporters, the AP reported. Milei's main rival in the Oct. 22 presidential election appears to be Bullrich, The Wall Street Journal reported, citing pollsters. She could attract centrist and conservative voters who are concerned that Milei's views are too radical, the newspaper reported. If no candidate wins the election outright, a runoff will be scheduled for Nov. 19. A runoff between Milei and Bullrich, and without a leftist, Peronist candidate, would be "unprecedented" in Argentina, Sergio Berensztein, a Buenos Aires-based pollster, told The Wall Street Journal.

ECONOMIC NEWS

Brazil's Lula Unveils $200 Billion Infrastructure Plan

Brazilian President Luiz Inácio Lula da Silva on Friday unveiled an infrastructure plan that includes nearly 1 trillion reais (nearly $200 billion) in spending, the Associated Press reported. Government officials said that when including public-private partnerships and initiatives led by the public sector, total spending related to the initiative could reach 1.7 trillion reais (nearly $350 billion), the wire service reported. However, analysts and investors reacted to the plan, called the Growth Acceleration Program, or PAC, with skepticism, saying that similar large-scale programs in the past were never fully realized and led to massive corruption. Funding in the newly unveiled plan is expected to go toward highways, ports and other infrastructure projects, in addition to urbanization efforts in slums and energy-efficiency initiatives, the AP reported. "More than a public investment portfolio, the new PAC is a collective compromise ... born out of many conversations with governors and mayors," Lula said at an event in Rio de Janeiro. Lula said the partnerships "will reflect the specific needs of each of the country's regions." The government did not say how it would pay for the spending, but it would need to do so by Aug. 31, when it sends Congress its final budget proposal. Lawmakers would then have to approve the plan and include it in the country's annual budget in December in order for it to take effect. The plan resurrects an initiative that Lula first launched in 2007 after he was sworn in for his second term. His successor

NEWS BRIEFS

Friend of Assassinated Ecuador Candidate Takes His Place in Race

Christian Zurita, an investigative journalist and close friend of assassinated Ecuadorean presidential candidate Fernando Villavicencio, said Sunday that he will take Villavicencio's place in the race, The Wall Street Journal reported. "Fernando Villavicencio's project is intact and we will fight for him," Zurita, wearing a bulletproof vest, said during a press conference in Quito. The Movimiento Construye political party still must approve his candidacy, which analysts say is likely to be a formality. The election is to be held Aug. 20.

Chile's Social Development Minister Resigns Amid Graft Probe

Chilean Social Development Minister Giorgio Jackson, a confident of President Gabriel Boric, resigned amid a corruption probe, Bloomberg News reported Aug. 12. In a posting on X, formerly known as Twitter, Boric accepted the resignation, saying it was "a gesture of generosity to help improve the political climate and advance with reforms." In a television appearance, Jackson said "I am stepping aside as my presence in the cabinet has been occupied by the political opposition as an excuse for not advancing in the agreements that Chile demands."

IMF, Honduras Reach Preliminary Agreement on $830 Mn Credit Facility

The International Monetary Fund on Friday said it had reached a staff-level agreement with Honduras for a 36-month credit facility for approximately $830 million, Reuters reported. The deal will seek to support the country's economic reform policies, focusing on urgent social spending and investment needs, while facilitating macroeconomic stability.

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as president, Dilma Rousseff, later expanded the program, but opponents criticized the plan, saying it incurred excessive spending levels and worsened the country's fiscal crisis, Reuters reported. Government officials said last week that the new plan will be stronger because it will involve stronger public-private partnerships, or PPPs. "This PAC is different from the other ones," said Lula's chief of staff, Rui Costa. "The state will stimulate PPPs," Costa added.

BUSINESS NEWS

Arbitration Court Awards Exxon $77 Mn in Venezuela Dispute

The World Bank's arbitration court awarded $77 million to Exxon Mobil in a case over Venezuela's nationalization of the Cerro Negro and La Ceiba crude projects in 2007, Bloomberg News reported Friday. The award followed a resubmitted claim worth $1.4 billion and is a result of an extended legal battle in which the International Center for Settlement of Investment Disputes, or ICSID, ultimately ruled most of the $984.5 million compensation granted to Exxon had already been paid in a separate claim with the International Chamber of Commerce, when Exxon received $907.5 million in 2011. In 2007, Exxon Mobil had filed an arbitration claim seeking as much as $10 billion in compensation for the Cerro Negro project located in the Orinoco heavy oil belt that then-Venezuelan President Hugo Chávez nationalized, along with three other projects in the same area, Reuters reported. Exxon declined to comment on the details on the latest award, but Exxon spokesman Todd Spitler said that "on balance, ICSID ruled in our favor." Exxon was the first international oil company to cease its operations in Venezuela after Chávez nationalized the country's oil assets, Bloomberg News reported. Houston-based oil producer ConocoPhillips also filed a claim for the seizure of its Hamaca and Petrozuata assets in 2007 and could soon reap a portion of the proceeds.

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goal is a common BRICS currency. However, the BRICS' ambitions for economic and multilateral prominence face grim realities. The bloc boasts 42 percent of the world's population and 30 percent of global GDP, but only China and India's economies are growing, while the New Development Bank's lending capacity is dwarfed by the International Monetary Fund and the World Bank. Latin American nations may also hesitate to antagonize the United States by explicitly affiliating themselves with a bloc dominated by China and Russia."

John Polga-Hecimovich, associate professor in the political science Department at the U.S. Naval Academy: "President Arce's presence at the summit reflects his country's search for strategic alliances and new economic partnerships as well as the desire among China and Russia to expand BRICS membership to other states in the Global South. Bolivia's ample lithium reserves are likely to be a central topic of discussion. Both China and Russia have made deep-pocketed investments in the country's emerging lithium industry, which Bolivia would like to develop. Beyond that, Bolivia has also said it wishes to complete more of its financial transactions in Chinese yuan, echoing a desire from BRICS leaders. Other countries in the region, such as Argentina and Cuba, have also expressed interest in the bloc (or at least in financing through its New Development Bank). However, BRICS operates by consensus, and both India and Brazil have pushed back against enlargement—despite President Luiz Inácio Lula da Silva's recent support for Venezuelan membership—in part because they fear they and the group will lose stature by becoming less exclusive. Ultimately, though, expansion seems inevitable, if not now then at some future date. With that said, it's unclear how much this matters for the region. Certainly, membership could provide important diplomatic and economic alternatives for Latin American countries dependent on traditional Western multilateral organizations. However, the organization began as a club for fast-growing economies in the Global South but has since evolved into a largely geopolitical coalition driven by China. Latin American expansion may provide a counterweight to the U.S.-led global order, but similar regional efforts through Unasur and ALBA were too ideological and geographically diffused to succeed in the long-term."

> **"Both India and Brazil have pushed back against enlargement..."**
>
> **— John Polga-Hecimovich**

Rebecca Ray, senior academic researcher at Boston University's Global Development Policy Center: "Luis Arce's planned attendance at the BRICS summit highlights the importance of South-South economic cooperation. Developing nations are increasingly pursuing this approach alongside their relationships with traditional North Atlantic partners. Research by Boston University's Global Development Policy Center shows that Bolivia and other developing nations are approaching South-South development finance and investment as complements to their existing relationships to help fill their significant infrastructure and investment gaps. The growing BRICS bloc of countries stands as an example of this phenomenon. In fact, if Argentina is invited into the BRICS group of countries this month, Bolivia's top three export partners (India, Brazil and Argentina) will all be members, along with its seventh largest trade partner, China. Together, these four markets represent nearly half of all Bolivian exports: 48.5 percent in 2022. Bolivia's search for international partners for lithium—including bids from Chinese,

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Russian and U.S. investors–accentuates this point. While a Chinese consortium led by CATL won the largest project, worth approximately $1.4 billion, Bolivia continues to work with other investors including the Russian Uranium One Group. None of these partnerships diminish Bolivia's ties with North America and Europe. While CATL's commitment is large in comparison to other recent investment in Bolivia, it is just a fraction of Bolivia's needs. The Inter-American Development Bank estimates that Bolivia needs $4.25 billion in infrastructure investment alone to reach the Sustainable Development Goals by 2030. So North American and European initiatives like the Partnership for Global Infrastructure and Investment and the Global Gateway are still deeply necessary and welcome alongside—rather than instead of–South-South cooperation."

Oliver Della Costa Stuenkel, associate professor of international relations at Fundação Getulio Vargas (FGV) in São Paulo: "Just like the G7's 'outreach,' the BRICS grouping regularly invites other leaders to its presidential gathering, allowing them to conduct bilateral meetings on the sidelines of the summit and strengthen ties, while also addressing the criticism voiced that both G7 and BRICS are elite clubs unconcerned about the fate of smaller developing countries. Arce's presence at the summit thus signals an interest among BRICS governments to deepen their relationships with Bolivia, but it does not reveal much about the grouping's expansion plans, which remain unclear. China, Russia and South Africa are supportive of expansion, India has recently signaled it may drop its opposition to adding new members—which may be a negotiation tactic to have a greater say when deciding whom to invite–and Brazil has traditionally been reluctant to increase the number of member countries due to a fear of influence and a concern that a larger BRICS grouping could lack the status-enhancing exclusivity it currently possesses. Contradicting his foreign ministry's stance, however, Lula has publicly supported the accession of Argentina and Venezuela. While negotiations are ongoing and may only be finalized days ahead of the summit on Aug. 22, Indonesia seems to be a more sensible addition, given Venezuela's ongoing political crisis and Argentina's continued economic turmoil. However, Beijing has made clear for years that it would like to enlarge the group, so expansion would be a sign of China's growing capacity to dictate the group's role in global affairs."

> **"Beijing has made clear for years that it would like to enlarge the group..."**
> **— Oliver Della Costa Stuenkel**

LATIN AMERICA ADVISOR
Financial Services Advisor
The answers to questions that informed executives are asking.
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is published every business day by the Inter-American Dialogue ISSN 2163-7962

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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

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