LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Friday, October 13, 2023

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Merike Blofield
Professor of Political Science, University of Hamburg

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
Director, Adtalem Global Education

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
Professor of Political Economy, Georgetown University

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 Would BRICS Membership Mean for Argentina?

At their summit in August, BRICS member nations invited Argentina and five other countries to join the bloc. Brazilian President Luiz Inácio Lula da Silva and Chinese President Xi Jinping are pictured at the summit, which was held in Johannesburg. // File Photo: Brazilian Government.

Q At the close of the BRICS annual summit held in Johannesburg in August, the five founding states agreed to invite six new members, including Argentina, to join the group, beginning Jan. 1, 2024. Argentina is facing a deepening economic crisis, with triple-digit inflation and currency deterioration, ahead of a presidential election on Oct. 22. How likely is Argentina's next president, who will be inaugurated in December, to accept the BRICS grouping's invitation? What would a BRICS membership mean for Argentina? How would having Argentina as a member benefit the current BRICS bloc?

A **Mariano Machado, Americas principal analyst at Verisk Maplecroft:** "Above all, the BRICS expansionary push reflects the interplay of multiple foreign policy strategies, taking advantage of the group's nebulous nature to pursue intermediate strategies between resisting and/or accommodating West-East competition. The Argentine case reflects this: its BRICS invitation attests to China's broader strategy toward Latin America, but also to middle powers maximizing the benefits of 'navigating' between hegemonic actors. Argentina's economic crisis and a permeable decisional ecosystem have allowed Beijing to advance influence in key areas. Buenos Aires has been able to leverage negotiations with Washington and Brussels in several areas, showing it has other geopolitical options elsewhere. But constraints make accession under the next administration improbable at best. The stances of the top presidential candidates are being anchored on ideological considerations, meaning foreign policy plasticity could end abruptly after December and halt a future entry to BRICS. Front-runner libertarian

Continued on page 3

TODAY'S NEWS

POLITICAL

Ecuadoreans Head to Polls Sunday for Presidential Vote

Ecuadoreans are to cast ballots Sunday in the country's presidential runoff. Banana company heir Daniel Noboa and attorney Luisa González, a protégé of former President Rafael Correa, are seeking to be the country's next leader.

Page 2

BUSINESS

Mexican Gov't Files Suit Against Grupo México

Mexico's government has filed a lawsuit against copper producer Grupo México over remediation from a chemical spill in 2014.

Page 2

BUSINESS

Chilean Fintech Galgo Receives $40 Million in Investment Round

Chile-based financial technology company Galgo, headed by CEO Diego Fleischmann, has raised $40 million in an investment round.

Page 2

Fleischmann // File Photo: LinkedIn Profile of Diego Fleischmann.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Ecuadoreans Head to Polls Sunday for Presidential Runoff

Ecuadoreans are to cast votes on Sunday in the country's presidential runoff election, a contest that pits banana empire heir Daniel Noboa against attorney Luisa González, a protégé of former President Rafael Correa. Outgoing President Guillermo Lasso triggered the snap election in May when he dissolved the National Assembly and cut short his own term as lawmakers sought to impeach him. The winner is to take office in December and will serve just 16 months, to the end of Lasso's scheduled term, Agence France-Presse reported. Ecuadoreans' main concerns in the election are crime and security, followed by unemployment, AFP reported. Violence in Ecuador has skyrocketed as gangs with ties to Mexican and Colombian drug cartels have fought for territory. The campaign has also been marred by violence as presidential candidate Fernando Villavicencio, who had a tough stance on corruption and crime, was assassinated Aug. 9, just days before the first round of the presidential election. Since then, other political leaders have been killed or abducted, car bombs have exploded in several cities, including Quito, and prisoners have rioted in penitentiaries, the Associated Press reported. For this year through June, Ecuador's National Police force recorded 3,568 violent deaths, far higher than the 2,042 violent deaths reported in the first half of 2022, the AP reported. For all of last year, Ecuador recorded 4,600 violent deaths, the highest in the country's history and twice the 2021 total. A survey last week by pollster Comunicaliza showed that Noboa had 53.3 percent support, as compared to 46.7 percent for González, Bloomberg News reported Oct. 4. In the poll, 43.8 percent of respondents said crime is the country's main problem, followed by 16.4 percent who said the country's main problem is unemployment. Noboa has vowed to make changes to Ecuador's intelligence efforts, along with more ammunition and other equipment for police officers, the AP reported. He has also suggested housing inmates on barges. González has also said she would invest in intelligence, technology and other equipment for police and increase the security presence along Ecuador's borders.

BUSINESS NEWS

Mexican Government Files Suit Against Grupo México

Mexico's government has filed a lawsuit against Grupo México, the country's largest copper producer, arguing that it has failed to carry out remediation following a chemical spill, an environmental official said Thursday, Reuters reported. The complaint, which was filed in August but made public on Thursday, centers on remediation funding for eight townships in Sonora, a northern state, that were polluted eight years ago, the Associated Press said. "The people, the environment, are still contaminated, and there are sick people," said María Luisa Albores González, minister of the government's Environment Department. A class action lawsuit involving 50 people was originally filed against Grupo México at the time of the spill in 2014, El Universal reported. The spill, in which 10 million gallons of acidified copper sulfate flooded from a waste reservoir belonging to the company's Buenavista mine, was described by Albores as the "most serious environmental disaster in the history of metal mining in Mexico." Grupo México argues that it met original legal requirements in its initial remediation fund in 2017, although the newly filed court documents against the company claim they were premature, and that only 10 of the 36 promised water treatment stations were installed, and of those, only two were actually finished.

The case stems from a chemical spill in 2014.

NEWS BRIEFS

Brazil's Lula Calls for Creation of Corridor Between Gaza, Egypt

Brazil is calling for the creation of a humanitarian corridor between Gaza and Egypt that would allow for people in Gaza to flee during the ongoing war, President Luiz Inácio Lula da Silva said Thursday on X, formerly Twitter, Agence France Presse reported. Brazil requested a meeting of the United Nations Security Council for today in order to discuss the issue. Other European ministers and the World Health Organization have made similar requests.

Canadian Pension Funds Eying Sale of Stake in Chile's Transelec

Canadian pension funds may sell their stakes in Chile's largest power-transmission company, Transelec, for $3 billion, people familiar with the matter said, Bloomberg News reported. Canada Pension Plan Investment Board, British Columbia Investment Management Corp. and Public Sector Pension Investment Board are in the early stages of a potential sale of a 72 percent stake in the Santiago-based utility. A potential buyer, China Southern Power Grid Co., is Transelec's single biggest shareholder.

Chilean Fintech Galgo Raises $40 Million in Investment Round

Chile-based financial technology company Galgo has raised $40 million in an investment round, Contxto reported Thursday. Mexican fund Mazca led the round, which also had participation by Grupo Auteco, WIND Ventures, Güil Mobility Ventures, Dalus Capital, Kayyak Ventures, Fynsa, Buena Vista Capital and Amarena VC, the website reported. With the investment, Galgo is planning to expand its operations to Chile, Peru, Colombia and Mexico. Galgo provides financing for vehicles, including cars and motorcycles.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 1

Javier Milei (La Libertad Avanza) opposes the BRICS grouping on ideological grounds. And with his top policy priority being the dollarization of the economy, accession is highly improbable if he becomes president. Patricia Bullrich (Juntos por el Cambio) also rejected the BRICS invitation, slamming the group's positions on Ukraine and Iran, and instead wanting to prioritize Western-based alliances—such as OECD accession—making BRICS membership unlikely. Even if Sergio Massa (Unión Por la Patria) wins, he may be unable to accept the invitation. Reconciling views on economic benefits or massive intra-BRICS energy cooperation without alienating key Western stakeholders supporting the country's precarious stability will be a tall order."

Rok Spruk, associate professor of economics at the School of Economics and Business at the University of Ljubljana: "The enlargement of the club at the annual summit includes countries that already boast friendly relations with China and is likely to project the expansion into a powerful tool of Chinese diplomacy. The costs of China's involvement in the supply chains of nascent emerging economies are well-known as Chinese foreign investors typically tolerate corruption and nontransparency, oftentimes foment authoritarian practices and tend to channel investment into large projects through banking loans that imply significantly increased risk of default and macroeconomic instability for many emerging economies such as Argentina. Specifically, for Argentina, BRICS expansion may exacerbate a continued erosion of checks and balances, foment toxic populism and further undermine the already weak rule of law that has decimated Argentina's comparative advantages. Under China's growing influence, Argentina will be less able to have any meaningful voice in shaping the trajectories of artificial intelligence and other nascent technologies. BRICS membership may thus provide the necessary conditions and support to restructure upstream and downstream division of labor, which will render China's influence in technology into a powerful tool where workers will end up competing against robot- and AI-driven machinery which implies a suppression of wages, further social unrest and widening inequalities in the labor market. In turn, the increased import of new technologies where China has a comparative advantage may give authoritarian-minded governments such as the current one in Argentina unprecedented power for population surveillance and suppression of dissent, while providing China an opportunity to share these technologies with other authoritarian regimes. If the future president of Argentina may contemplate the withdrawal from BRICS membership as a best-case scenario, China's diplomatic retaliation is not unlikely."

Carlos Fara, president of Carlos Fara & Asociados in Buenos Aires: "Beyond the statements made in the campaign by the main opposition candidates against joining the BRICS, it is more likely that they will later moderate their positions based on the commercial interests of some countries for Argentina, such as Brazil, China and India. Obviously, there will be no change of course in this regard if Sergio Massa wins the election. Getting membership takes time; it's not an immediate thing. The opinion of the technical cadres of the Argentine Foreign Ministry is that integration is favorable. For Argentina, membership means being able to establish stronger trade ties with developing countries in high demand for Argentine products depending on the size of their markets, without necessarily having to be read at the same time as a geopolitical alignment. A good example of this is what happens with the Asia-Pacific area. The country desperately needs dollars for foreign trade and investment and cannot separate its fate from what Brazil, which is its most important natural partner, does."

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

Gene Kuleta
Editor

Nili Blanck
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
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 Transition and Climate Program
Tamara Taraciuk Broner, Director, Peter D. Bell Rule of Law 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.