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FEATURED Q&A

What Benefits Do China & Argentina Offer Each Other?



The presidents of China and Argentina recently pledged to cooperate more closely on several areas. // File Photo: Argentine Government.

Q Chinese President Xi Jinping spoke with Argentine President Alberto Fernández on Sept. 29 in a 40-minute call during which they pledged to work together on vaccine cooperation and to expand trade and investment ties. Strengthening the two countries' relations is "a top priority in Argentina's foreign policy," Fernández told Xi, Chinese state news agency Xinhua reported. How strong have Chinese-Argentine relations been in recent years, and how will they change under Fernández's administration? What might expanded trade and cooperation look like between the two nations? What strategic objectives do each of the countries stand to gain by working together?

A Leonardo Stanley, associate researcher in the economics department of the Center for Study of State and Society (CEDES) in Argentina: "Since the dawn of Argentina's 2001 economic crisis, the Casa Rosada's occupants have all shared an enthusiasm for China. The commodity boom transformed trade dynamics all throughout the region. Chinese companies began to arrive, becoming some of Argentina's prominent foreign investors. For various reasons, China has also begun to play an essential role in financing and constructing infrastructure works. When Argentina was shut out of international capital markets, China came to the financial rescue of Cristina Fernández's government. In March 2009, the People's Bank of China and the Argentine central bank signed their first swap agreement. When a new financial crisis arrived a decade later, a new and expanded swap allowed the Macri government to sustain the peso-dollar exchange rate.

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Brazil Surpasses Five Million Cases of Covid-19

Brazil, which has the world's third-highest total of reported Covid-19 cases has surpassed five million cases of the disease.

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Consortium Eyes Purchase of Natural Gas Fields From Petrobras

A consortium of Brazil's 3R Petroleum and Norway-linked DBO Energy is reportedly in talks with Brazilian state oil company Petrobras for the purchase of several offshore natural gas fields.

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Ecuador Taps Pozo as New Finance Minister

Ecuador's president named economist Mauricio Pozo as the country's new finance minister. Pozo is replacing Richard Martínez, who is stepping down to work for the Inter-American Development Bank.

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Pozo // File Photo:
@MauricioPozoEC via Twitter.

POLITICAL NEWS

Brazil Surpasses Five Million Cases of Covid-19

Brazil, which has the world's third-highest total of reported Covid-19 cases, after only the United States and India, has surpassed five million cases of the disease, Reuters reported Wednesday. Brazil's number of daily cases has declined since its peak in July, but public health experts warn that residents of the South American nation are not taking adequate precautions, including social distancing, and risk another escalation in cases and deaths. On Tuesday, Brazil's health ministry reported 31,553 new cases of Covid-19, raising the total to 5,000,694, Reuters reported. Additionally, the



Soon we will reach 150,000 deaths, a frightening number."

— Roberto Medronho

death toll rose on Tuesday by 734, to 148,228. Brazil's rolling daily average fell last week to 658 deaths per day, down from a peak of 1,073 in the last week of July. The average number of new reported cases in Brazil amounted to 26,140 per day last week, nearly half the rate in late July, the wire service reported. Roberto Medronho, an epidemiologist at the Federal University of Rio de Janeiro, told Reuters that the figures could be much higher if testing for the disease were more widespread. "Soon we will reach 150,000 deaths, a frightening number," he told Reuters. "We are seeing the authorities easing social distancing more and more despite the number of cases." Brazilian President Jair Bolsonaro has played down the dangers of Covid-19 since the pandemic began. He was among the world leaders who was infected with the novel coronavirus and had to quarantine for two weeks. He has opposed lockdowns and the closing of businesses, saying they do too much damage to the economy.

Bolsonaro fell ill in early July, with symptoms including a mild fever and a cough, The Wall Street Journal reported. Although Brazil has been hit hard by the disease, with more deaths from it than any other country except the United States, Bolsonaro's approval ratings increased after he was infected, the newspaper reported. [Editor's note: See related [Q&A](#) in the Aug. 18 issue of the Advisor.]

ECONOMIC NEWS

Ecuador's President Names Pozo New Finance Minister

Ecuadorean President Lenín Moreno on Wednesday named economist Mauricio Pozo as the country's new finance minister, Reuters reported. Pozo replaces Richard Martínez, who stepped down after carrying out a bond restructuring plan that has been seen as a success and after negotiating a loan with the International Monetary Fund. Pozo, the CEO of economic consulting firm Multienlace, previously served as Ecuador's finance minister from 2003 to 2004 during the government of then-President Lucio Gutiérrez. As finance minister, Pozo said he will focus on strengthening Ecuador's economy and its dollarization. "I want to promote dialogue on the reforms that the country needs," Pozo said at an event with Moreno and Martínez. "The country is in an adjustment process and it is only fair that it also have a recovery process." Ecuador's agreement with the IMF requires the country to design a tax reform that includes tax increases and that the next government will need to present to the National Congress. In a [Q&A](#) last week, Pozo told the Advisor that Ecuador needs a "new and deep" tax reform including "a simplification of certain taxes, the elimination of others and the increase of some." However, Pozo said tax reform is a "sensitive topic" and that "more taxes during the current recession is not a good decision for the Ecuadorean economy." Pozo is also expected to present a proposal to restore the central bank's autonomy, Reuters

NEWS BRIEFS

Hurricane Delta Lashes Yucatán, No Deaths or Injuries Reported

Hurricane Delta struck Mexico's Yucatán Peninsula Wednesday, toppling power lines and knocking down trees after making landfall just south of the resort city of Cancún, but Quintana Roo Gov. Carlos Joaquín González said no injuries or deaths were reported, the Associated Press reported. The storm then moved into the Gulf of Mexico, taking aim at the U.S. Gulf Coast. As of 7 a.m. Central Time today, Delta was about 425 miles south of Cameron, La., moving northwest with maximum sustained winds of 100 miles an hour, according to the U.S. National Hurricane Center.

Guyana Seeking to Cut Energy Costs by 50%

The Guyanese government said Wednesday that it will cut the cost of energy in the South American nation by half over the next five years, Caribbean National Weekly reported. Prime Minister Mark Phillips said in a virtual conference that the administration of President Irfaan Ali, who took office earlier this year, seeks to "pursue a program with an energy mix that includes hydropower, natural gas, solar and wind," which he said will reduce the cost of energy by at least 50 percent.

Trump Reportedly Eying Peterson for Puerto Rico Federal Control Board

U.S. President Donald Trump is planning to appoint Justin Peterson to Puerto Rico's federal control board, which oversees the U.S. territory's finances, the Associated Press reported. Peterson, who has previously worked as an advisor to creditors in financial disputes involving Puerto Rico and Argentina and is currently a managing partner of public affairs firm DCI, is expected to fill one of two positions available after two longtime members resigned.

reported. Martínez is stepping down in order to work for the Inter-American Development Bank. As finance minister, he completed a \$6.5 billion financing deal with the IMF and led talks for the renegotiation of approximately \$17.4 billion in sovereign bonds. He also secured an agreement to defer principal payments on loans from Chinese banks, the wire service reported. Ecuador has faced liquidity problems amid the fall in crude oil prices and the economic damage of the Covid-19 pandemic. In February, Ecuadoreans are to go to the polls for the country's presidential and congressional elections.

BUSINESS NEWS

Consortium in Talks With Petrobras to Purchase Gas Fields

A consortium of Brazil's 3R Petroleum and Norway-linked DBO Energy has entered talks with Brazilian state oil company Petrobras to purchase several offshore natural gas fields, Reuters reported today, citing two sources with direct knowledge of the matter. Petrobras' Peroá fields in the Espírito Santo basin would be among the firm's first sales amid an effort to end Petrobras' near-monopoly in Brazil's natural gas value chain. Petrobras and 3R did not respond to Reuters' request for comment, and DBO declined to comment. The Peroá cluster of fields last year produced nearly one million cubic meters of gas per day, though in previous years the volume was several times that amount. The cluster also includes the Malombe prospect. The cost of the transaction is expected to be relatively low as compared to other production assets Petrobras is offering in the area, the sources told Reuters. "After years of ineffective efforts to promote competition and increase overall natural gas use, Brazil's 'New Natural gas Market' program is poised to achieve fundamental changes," Cleveland Jones, researcher at the National Institute of Oil and Gas at the State University of Rio de Janeiro, told the Advisor in July. [Editor's note: See [Q&A](#) in the July 24 Energy Advisor.]

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During Covid-19, and cornered by crises, the government of Alberto Fernández has decided to deepen the country's relationship with China. The countries are advancing on a deal for China to invest in Argentine pork production for export, disregarding social and environmental dangers that this may entail. Also, Argentina's financial distress has led its monetary authorities to seek a new swap agreement, which will increase China's influence on Argentina's policy options. As Argentina lives from crisis to crisis, Chinese influence on Argentina keeps growing: 85 percent of its meat exports go to China, 63 percent of its foreign exchange earnings are obtained from trading with China and 45 percent of its international reserves are associated with China's swap agreement. Is further engagement with China feasible? Would it be convenient? The Argentina-China relationship has become deeper but more complicated. Argentina's economy has become increasingly intertwined with China; there are too many eggs in one basket. The relationship is becoming more unequal every day, and the Chinese ruling class recognizes this inequality."

A Lin Hua, associate researcher at the Institute of Latin American Studies at the Chinese Academy of Social Sciences (CASS):

"China and Argentina are both important developing countries and emerging market economies. They share the same or similar views on many major international issues, as well as common interests and demands in international affairs. They also have consistent pursuits and goals in their respective development processes. This is an important basis for the strategic partnership that the countries established in 2004, which was upgraded to a comprehensive strategic partnership in 2014. It is also an important reason why China and Argentina have been able to overcome the difficulties and challenges that have arisen in the development of their bilateral relations. Today, China and

Argentina are each other's key economic and trade partners. Cooperation between the two countries has expanded from trade to investment, finance and other areas. Under Alberto Fernández's administration, China-Argentina relations will develop faster. The bilateral cooperation will be more diversified. In

“Under Alberto Fernández's administration, China-Argentina relations will develop faster.”

— Lin Hua

terms of trade, more high-quality Argentine agricultural and processed food products will enter the Chinese market, although the importance of soybeans will remain. In terms of investment, Chinese funds will still play an important role, given Argentina's large infrastructure gap. In addition, Sino-Argentine cooperation will extend to science and technology. Chinese technology has already helped Argentina in fighting the pandemic. The cooperation between the two parties in emerging fields is in line with their respective development goals, and they can achieve a win-win situation. Both China and Argentina are now at a critical stage in their development and are facing the challenges from an increasingly unfavorable external environment. For Argentina, the cooperation between the two countries will help to enhance its endogenous economic growth. For China, it not only follows the principle of diversity of partners, but it will also benefit China's multilateral efforts."

A Natalia Cote-Muñoz, research associate at the Council on Foreign Relations: "Sino-Argentine relations will deepen under the Fernández administration, driven by newfound political will, Argentina's precarious economic situation and shifting global

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supply chains. Despite former President Macri's desire to distance from China, China remains a significant foreign investor in Argentina, and its economy still depends on commodity exports to China. The Covid-19-induced economic crisis and Argentina's debt restructuring will bring Argentina closer to China, especially as other partners struggle with their own laggard recoveries. China too, driven by food shortages, Covid-19-related supply shocks and souring relations with other trade partners, will seek more engagement with its southern ally. China's spats

“China remains a significant foreign investor in Argentina, and its economy still depends on commodity exports to China.”

— Natalia Cote-Muñoz

with Australia have shifted barley imports to Argentina, while China represents 75 percent of Argentina's beef exports, recently returning to pre-pandemic levels. As China helps Argentina back afloat, deals will go beyond pure economics. As China renewed a currency swap line with Argentina, the Fernández administration resumed space cooperation that had been stalled under Macri's government. The two countries have been cooperating on Covid-19 vaccines and solar plants, and debt renegotiations have put joining the Belt and Road Initiative and revitalizing Chinese-backed dams and nuclear power plants back on the table. However, as these relations grow closer, it is unclear how much support these moves will enjoy in civil society. Argentines' views of whether Chinese investments are positive are split 50-50 according to a 2019 Pew poll. Environmentalists recently protested Chinese pork investments. The more conspicuous Chinese projects and the more precarious the eco-

nomie situation, the more likely there will be pushback to Sino-Argentine relations.”

A **Zhen Pan, associate attorney at Diaz, Reus & Targ:** “The vaccine cooperation between China and Argentina aims to create a win-win situation for both countries to accelerate their process in combating Covid-19, improving people's well-being and restoring the economy. Since July, two vaccine candidates developed by a Chinese state-owned company have been in the most important Phase III human trial stage, during which large-scale testing is needed before approval for public use. Since China had a relatively small number of confirmed cases (and almost all have recovered), as part of the two countries' collaboration, testing would be conducted in Argentina among its increasing reported cases. In return, Argentina would receive an affordable price on the vaccine, in the event it is launched after a successful trial. Cooperation on vaccines further demonstrates Argentina's desire to deepen its bilateral relations with China, in addition to those established ties in such fields as trade, investment, infrastructure and finance. Investment from China in the fields of energy and infrastructure have been steady in the past few years, while foreign direct investment during the same period in Argentina has been unstable, presumably because of the country's economic challenges and its government's debt obligations. FDI inflows in Argentina in 2019 were far less than those in Brazil and other Latin America counterparties such as Colombia and Chile. It is thus imperative for Argentina to revitalize its bilateral relationship with China, one of its largest trading partners, as part of the country's efforts to boost its economy.”

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

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