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FEATURED Q&A

What Will Milei's Presidency Mean for Argentina?



Javier Milei, who has proposed dollarizing Argentina's economy and eliminating the central bank, was elected the country's president on Sunday. // File Photo: Facebook Page of Javier Milei.

Q Right-wing libertarian Javier Milei was elected Argentina's president on Sunday, defeating current Economy Minister Sergio Massa, who conceded, by a margin of nearly 12 percentage points. Milei faces an economy with triple-digit inflation and rising poverty, and he has vowed radical actions including dollarizing the economy and closing the central bank. He has called climate change "a lie of socialism" and said he would cut ties with China and Brazil, saying he does not want to "do business with communists." What are the major factors that led to Milei's victory? What are the biggest changes Argentina will see during his presidency? What is the future of Argentina's relations with other countries in Latin America, as well as the United States and China, under Milei?

A Juan Cruz Díaz, managing director at Cefeidas Group in Buenos Aires: "Javier Milei's rise to the presidency stems from a confluence of factors tapping into widespread discontent with the ruling coalition. The economic downturn, characterized by rising inflation and poverty rates, provided fertile ground for Milei to exploit public dissatisfaction. Fatigue with the political status quo, particularly Kirchnerism, allowed Milei to leverage opposition proposals, notably from the Juntos por el Cambio (JxC) coalition. Initially propelled by an anti-establishment narrative, Milei strategically shifted post-election, adopting a more conciliatory tone. Reconciliation with JxC's Patricia Bullrich and former President Mauricio Macri played a pivotal role in securing crucial support and JxC votes, contributing to Milei's victory in the second round. Milei's presidency promises substantial changes in

Continued on page 3

TODAY'S NEWS

ECONOMIC

China Warns Argentina Against Breaking Ties

China's government today warned Argentina's president-elect against breaking relations with Beijing, saying such a move would be "a huge foreign policy mistake."

Page 2

BUSINESS

U.S. Settles Ecuador Bribery Case With U.K. Insurance Brokers

The U.S. Department of Justice announced Monday that it had settled a case with two Britain-based insurance brokers in which they bribed officials in Ecuador.

Page 3

ECONOMIC

Mexican President Issues Decree on Passenger Rail Service

Mexican President Andrés Manuel López Obrador issued a decree on Monday mandating that passenger rail service take precedence over commercial freight.

Page 2



López Obrador // File Photo: Mexican Government.

ECONOMIC NEWS

China Warns Argentina Against Breaking Relations

China's government today warned Argentine President-elect Javier Milei against cutting ties with Beijing, saying such a move would be a severe mistake, Reuters reported. Milei, who won Sunday's presidential runoff election and takes office Dec. 10, has said he would not work with "communist" governments like that of China and Brazil. He also has publicly said that the people of China are "not free" and likened the Chinese government to an "assassin." In reaction to Milei's victory, Chinese Foreign Ministry spokeswoman Mao Ning said that Beijing "stands ready to work with Argentina to keep our relations on a steady course," Reuters reported. "It would be a huge foreign policy mistake for Argentina to cut ties with major countries like China or Brazil," she added, citing the importance of trade ties between China and Argentina. Diana Mondino, an economist who is reportedly poised to become Argentina's foreign minister in Argentina's incoming administration, was quoted by Russia's RIA Novosti state news agency as saying Argentina would halt interactions with the Chinese and Brazilian governments. Asked about Mondino's position, Mao said, "The economic complementarity between our two countries means there is great potential for cooperation," Reuters reported. Milei's stance on China is a drastic shift away from that of outgoing President Alberto Fernández. The current Argentine president visited Beijing last month to meet with Chinese President Xi Jinping and called China a "true friend." In Argentina, China has investments in strategic areas including mining and infrastructure, EFE reported. Several Chinese companies have also eyed potential investments in China, including in the areas of agriculture and natural resources such as lithium. Argentina is the world's fourth-largest producer of the light metal, which China needs for the production of electric vehicle batteries. [Editor's note: See related [Q&A](#) in the Sept. 8 issue of the Advisor.]

Mexican President Issues Decree on Passenger Rail Service

The government of President Andrés Manuel López Obrador issued a decree on Monday mandating that passenger train service take priority over commercial freight on Mexico's concessioned railways, Reuters reported. Companies operating freight trains will have until Jan. 15 to submit proposals to the Ministry of Infrastructure, Communications and Transportation detailing how they would implement passenger train service. López Obrador said earlier this month that if companies fail to adapt their railways for passenger service, the Mexican government would itself start scheduling passenger service trains on rail lines currently used by private companies. López Obrador previously denied that the new decree would amount to expropriation, saying that Mexican law already prioritizes passenger service, the Associated Press reported. The decree focuses primarily on two private concessionary rail operators: the Mexican Ferromex and multinational Canadian Pacific Kansas City (CPKS). Across the world, passenger train service is rarely profitable and is often subsidized by national governments; the decree on Monday makes no mention of whether government subsidies would be offered to the affected rail operators, the AP reported. Should Feromex and CPKS decline to submit proposals by Jan. 15, the government will place either the army or navy in charge of implementing the services, according to the decree.

BUSINESS NEWS

U.S. Settles With U.K. Insurance Brokers Over Ecuador Bribery

The U.S. Department of Justice on Monday said it had settled a case with two Britain-based insurance brokers involving a case

NEWS BRIEFS

Haitian Authorities Arrest Mayor in Connection With Moïse Assassination

Authorities in Haiti have arrested the mayor of the southern coastal city of Jacmel in connection with the July 2021 assassination of President Jovenel Moïse, the Associated Press reported. Macky Kessa was detained but has not been charged, his attorney, Jimmy Jean-Baptiste, told the wire service. Kessa is being held in the National Penitentiary in Port-au-Prince, said Jean-Baptiste, who added that he planned to seek his client's release. It was unclear why Kessa was detained, and Jean-Baptiste declined further comment.

At Least 10 Killed in Collapse of Illegal Gold Mine in Suriname

An illegal gold mine in southern Suriname collapsed on Monday, killing at least 10 people, the Associated Press reported. Informal gold mining has been on the rise in Suriname, and the collapsed tunnel is believed to have been built by the miners themselves. President Chan Santokhi promised "stricter and tighter" policies moving forward to prevent similar tragedies, Jamaican daily newspaper The Gleaner reported.

Chile Postpones Power Auction Until Next Year

The Chilean National Energy Commission (CNE) last Friday postponed the country's 2023 electricity auction until 2024, citing discrepancies in demand projections, Renewables Now reported. The CNE said Chilean power company Engie Energia had filed a notice of discrepancy related to figures presented in the final auction report, which could change the volume of electricity set to be traded between producers and distributors. The submission deadline for auction proposals has now been moved from next month to April 9.

in which they participated in a scheme to bribe government officials in Ecuador in violation of the U.S. Foreign Corrupt Practices Act. Tysers Insurance Brokers and H.W. Wood Limited both agreed to enter three-year deferred prosecution agreements with the Justice Department in connection with the case, filed in U.S. federal court in the Southern District of Florida, the Justice Department said in a statement. “Tysers and H.W. Wood have admitted to engaging in a scheme to bribe multiple Ecuadorian government officials to earn tens of millions of dollars in illicit profits for themselves and their co-conspirators,” Acting Assistant Attorney General Nicole M. Argentieri of the Justice Department’s Criminal Division said in a statement. “Today’s resolutions, along with the numerous related individual cases, demonstrate the department’s steadfast commitment to hold both corporate and individual wrongdoers accountable for their crimes,” she added. Between 2013 and 2017, Tysers, which at the time was doing business as Integro Insurance Brokers Limited, and H.W. Wood agreed to pay nearly \$2.8 million in bribes to the then-chairmen of two Ecuadorean state-owned insurance companies, Seguros Sucre and Seguros Rocafuerte, along with three other officials in the South American country in order to “secure improper advantages in order to obtain and retain reinsurance business with the state-owned insurance companies,” the Justice Department said. The bribes were paid to accounts held in locations including Florida and arranged through meetings held in Florida as well emails sent from there, the Justice Department added. Altogether, Tysers paid approximately \$20.3 million in commissions, and H.W. Wood paid about \$7.9 million in commissions and premiums to an intermediary company that paid the bribes, the Justice Department said. Under its settlement agreement, Tysers will pay a \$36 million criminal penalty and administrative forfeiture of approximately \$10.5 million. H.W. Wood agreed to a criminal penalty of \$22.5 million, with a forfeiture of \$2.3 million, but due to the company’s financial condition and inability to pay, the Justice Department agreed to lower the penalty to \$508,000 with no forfeiture amount.

FEATURED Q&A / Continued from page 1

Argentina, marked by a complex government transition. Lacking governors and majority support in Congress, he faces the challenge of navigating a politically intricate landscape, necessitating consensus-building to capitalize on electoral momentum. In economic policy, Milei pledges swift implementation of campaign proposals and reforms, advocating for a shock therapy approach. This adds a distinctive dimension to his presidency, signaling proactive and decisive action to address economic challenges. However, resistance from social and labor movements, along with political opposition, poses challenges. Skillful consensus-building is crucial for Milei to navigate these successfully, balancing bold economic measures with garnering support. Looking ahead to Milei’s foreign policy, potential tension with Brazil and China is expected, reflecting Milei’s distinct political stance. Despite ideological differences, maintaining commercial and strategic ties remains imperative. Alignment with the United States and robust support for Israel are anticipated. Balancing ideological disparities, pragmatic considerations and the need for consensus-building will define the success of Milei’s administration on both the international stage and economic reforms.”

A **Kezia McKeague, regional director at McLarty Associates:** “Argentina’s economic crisis made this election ripe for an outsider adept at channeling voter dissatisfaction with the political establishment. While it would be a misreading to interpret the result as a significant ideological shift to the right, it does reflect deep frustration with economic mismanagement and a desire to try something new. Moreover, once Milei had defeated the more traditional opposition proposal of the Juntos por el Cambio coalition, the support of Mauricio Macri and Patricia Bullrich proved key to mobilizing anti-Peronist voters against Sergio Massa. Milei’s proposed economic changes are ambitious,

including trade liberalization, privatization of state-owned companies and dramatic cuts to government spending, taxes and the size of the state. He has promised to dismantle the labyrinth of foreign-exchange restrictions that have hurt all foreign investors in Argentina, though the speed and sequencing will

“**Argentina’s economic crisis made this election ripe for an outsider adept at channeling voter dissatisfaction with the political establishment.”**

— Kezia McKeague

be delicate given the risk of hyperinflation. His most controversial proposal—to eventually dollarize the economy and eliminate the central bank—will be challenging for both technical and political reasons. We should expect significant resistance from Congress to dollarization as well as the structural reform agenda; Milei’s young party will have only 38 of the 257 seats in the Chamber of Deputies and seven of the 72 seats in the Senate, and he will need tremendous political skill to negotiate legislation and overcome opposition from labor unions and social movements. On foreign policy, Milei has pledged to distance Argentina from Brazil and China, its two largest trading partners, and align closely with the United States and Israel. He will also face an urgent renegotiation with the International Monetary Fund and financial liabilities resulting from adverse rulings in international courts.”

A **Jimena Blanco, senior research director and chief analyst at Verisk Maplecroft:** “Argentina has entered uncharted political territory with the victory of far-right, populist outsider candidate Javier Milei, who lacks executive experience and the political

Continued on page 4

FEATURED Q&A / Continued from page 3

machinery required to steer the economy away from the abyss—the undisputed top challenge for the incoming administration. The country's economic future hinges on his ability to present a credible stabilization plan with a view to restoring macroeconomic order—this would require a major devaluation of the official peso/dollar exchange rate to remove the gap with the other foreign exchange instruments ahead of lifting capital and currency controls, as well as a contractionary monetary and fiscal policy. Only then can he consider dollarization and the elimination of the central bank, two campaign pledges that require major structural reforms. Milei therefore needs to broaden his base in Congress, where his party is in a minority position. His victory does not in itself indicate widespread voter support for his more radical proposals. Indeed, the electoral outcome is more a function of the overwhelming rejection of the current economic model than a blanket endorsement of Milei's more controversial policies, particularly his party's highly conservative social agenda. And moderation will come. The Latin American precedent shows that outsiders are forced to moderate—in policy terms, even if not in rhetoric—by the centrist allies they need to legislate. Milei will not be an exception, particularly given Argentina's dire need to restore investor confidence to drive exports and attract foreign direct investment inflows to replenish depleted reserves. This economic imperative will shape the foreign agenda, with the United States and China alike."

A **Jerry Haar, professor and executive director for the Americas at the College of Business at Florida International University:** "Sunday was the expiration date for the Peronista kleptocracy. Anger, despair and desperation are powerful political motivators; and when the body politic boils over, the

impacts can be a Chávez, Bolsonaro, Trump or AMLO—in essence, a rejection of the ancient regime. Having governed Argentina for most the last three decades, Argentines were simply fed up with a government and political party that have produced a poverty level of 40 percent, 142 percent inflation, a peso that has lost half its value so far this

“**Argentina is a case study of a resource-rich country with poor institutions and decrepit governance.**”

— Jerry Haar

year and endemic corruption. Argentina is a case study of a resource-rich country with poor institutions and decrepit governance. Winning an election is one thing; governing is a whole other matter. Lacking political experience and representing a political party that holds just seven out of 72 seats in the Senate and 38 out of 257 in the House, Milei will need to learn the art of compromise and ditch some of his wackadoodle policy proposals; otherwise, he will be forced to rule where he can by executive decree and be sandbagged continuously by the multi-party opposition. Hopefully, the biggest change we will see—changes all Argentines clamor for—is the reform of the state. While dollarization will be an uphill battle, Milei could and should address business-related reforms needed in cross-border trade, the ease of doing business, labor policy, regulatory and tax reform, infrastructure improvement and competitiveness across all sectors."

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

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