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FEATURED Q&A

Will Milei Radically Change Argentina's Ties With China?



Argentine President Javier Milei, pictured Sunday at his inauguration, harshly criticized China during his campaign. However, since winning the presidency, he has moderated his tone. // File Photo: Facebook Page of Javier Milei.

Q While on the campaign trail, Javier Milei, who took office as Argentina's president on Sunday, criticized China and has said he would freeze relations with the country, despite its position as one of Argentina's most important trading partners. However, after his election, Milei softened his tone toward China, thanking President Xi Jinping for a letter congratulating him on his victory. How likely is Milei to sever Argentina's relations with China? What consequences would a termination of relations imply, especially for Argentina's already struggling economy? What would it mean for Argentina's economy if the country no longer plans to join the BRICS grouping of developing nations?

A Benjamin Gedan, director of the Latin America Program at the Wilson Center: "The moderation of Javier Milei's attitude toward China was as predictable as the chimichurri that shows up at your table after your bife de chorizo. Argentina's economy is in a shambles, and it can scarcely afford to lose access to its most important export market and principal source of hard currency. Nevertheless, Argentina's strategic relationship with China rests on a knife edge. True, Milei has dialed down his hostility toward Beijing, and he and Xi Jinping exchanged diplomatic pleasantries on X. But in a region where China is accustomed to flattery and a studied nonalignment in great power competition, Milei stands out for his ostentatious admiration of the United States. His first international trip following the election was to Washington, where he stopped by the White House and emerged promising a new role for Argentina 'among the nations that respect liber-

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TODAY'S NEWS

POLITICAL

Presidents of Venezuela, Guyana to Meet Today

Venezuelan President Nicolás Maduro and his Guyanese counterpart, Irfaan Ali, are to meet today on the island of St. Vincent amid tensions over a disputed territory.

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BUSINESS

Elysian Wins Most Blocks in Brazil Oil Auction

Newcomer Elysian won 122 of the more than 600 offshore oil blocks on auction Wednesday in Brazil. The auction was marked by climate protests.

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BUSINESS

Scotiabank May Exit Colombia, Central America

Bank of Nova Scotia's chief executive officer, Scott Thomson said Wednesday that the bank may exit or seek to turn around its operations in Colombia and Central America. The bank plans to refocus efforts on Canada, Mexico and the Caribbean.

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Thomson // File Photo: Scotiabank.

POLITICAL NEWS

Venezuela, Guyana Leaders Meet Today Amid Border Dispute

Venezuelan President Nicolás Maduro and Guyanese President Irfaan Ali plan to meet today in St. Vincent and the Grenadines amid a flaring territorial dispute over the Essequibo region, which makes up two-thirds of Guyana, the Associated Press reported. Maduro and Ali are scheduled to meet at the Argyle International Airport on the island of St. Vincent, with the prime ministers of Barbados, Dominica and Trinidad and Tobago also attending, the AP reported. Venezuela has claimed the Essequibo region for more than a century, but its assertion has intensified since ExxonMobil discovered huge quantities of oil off the territory's coast in 2015. Earlier this month, Venezuelan voters backed the government's claim to the area in a referendum pushed by Maduro. It is unclear whether today's meeting between Maduro and Ali will lead to any agreements or ease tensions, the AP reported. Ali has repeatedly said that the International Court of Justice is the only body that can decide the matter. "We are firm on this matter and it will not be open for discussion," Ali wrote Tuesday on social media site X. Ali has also rejected Maduro's assertion that oil concessions that Guyana has granted are in "a maritime area yet to be delimited," the AP reported. All of the oil blocks that Guyana has granted "are located well within Guyanese waters under international law, including the United Nations Convention on the Law of the Sea," Ali said. Ali also took issue with Maduro's description of "meddling of the U.S. Southern Command, which has begun operations in the disputed territory." In recent days, the U.S. Southern Command has carried out flight operations within Guyana. "Any allegation that a military operation aimed at Venezuela exists in any part of Guyanese territory is false, misleading and provocative," Ali said in a letter to St. Vincent and the Grenadines Prime Minister Ralph Gonsalves, the AP reported. In his own letter to Gonsalves, Maduro said the

border between the countries that international arbitrators drew in 1899 was "the result of a scheme" between the United States and the United Kingdom. In an interview published Tuesday in the Financial Times, Guyanese Vice President Bharrat Jagdeo said Guyana would defend itself from any action by Venezuela. "We will defend our country by all and any means necessary," Jagdeo told the newspaper. "We're not a belligerent nation, we're not an aggressive nation. We're a small country that has placed its faith in diplomacy and international law," he added. [Editor's note: See related [Q&A](#) in Wednesday's Advisor.]

BUSINESS NEWS

Scotiabank May Exit Colombia, Central America: CEO

Bank of Nova Scotia's chief executive officer, Scott Thomson, on Wednesday announced a new strategy, saying the bank will focus on his home market of Canada as well as its units in Mexico and the Caribbean but may either exit or seek to turn around its Colombia and Central America operations, Reuters reported. Thomson added that Scotiabank also will reallocate capital away from developing markets and into developed ones in order to reduce the volatility of earnings and make them more sustainable. "We are accelerating growth in our Canadian franchise and allocating capital increasingly towards stable, high-return markets in North America," Thomson told investors and analysts at the bank's headquarters in Toronto, Reuters reported. Scotiabank has the largest international presence of any Canadian bank, but its business in some Latin American countries, particularly in Colombia, Peru and Chile, have an excess of clients with just one banking product, Thomson said, Bloomberg News reported. The bank plans to direct 90 percent of its incremental capital to the "priority businesses of Canada, the U.S., Mexico and the Caribbean," said Thomson, Bloomberg News reported. Scotiabank's business in Mexico is

NEWS BRIEFS

Chileans to Vote Sunday on New Constitution

Chileans will vote Sunday on a newly proposed constitution, four years after massive protests demanded a rewrite of the country's current constitution, written during the dictatorship of Augusto Pinochet, Reuters reported. An initial attempt at replacing the constitution failed in 2022, when Chileans voted down a version penned by a mostly left-wing constitutional convention. Subsequent elections put more right-wing voices in charge, leading to a more conservative document on the ballot this weekend.

Argentina's Left Vows to Fight Government Austerity Measures

Left-wing political leaders in Argentina vowed Wednesday to fight sharp austerity measures announced this week by the new government of President Javier Milei. "We are going to fight boldly," said the governor of Buenos Aires province, Alex Kicillof. "We will have to be much more creative and much more militant," he added. The government this week announced a devaluation of the peso and drastic cuts to public spending.

Santander to Buy BNP Paribas' Mexican Asset Management Operation

Spanish multinational bank Santander announced Wednesday it had secured a deal to purchase French multinational bank BNP Paribas' Mexican asset management operation, Reuters reported. "Wealth management and insurance is one of the fastest-growing global businesses for the [Santander] group, and Mexico is one of our main markets," Victor Matarranz, global head of wealth management and insurance for Santander, told Reuters. The financial details of the purchase were not disclosed.

in the top five in that country, said Thomson, who became Scotiabank's CEO in February. In a slide presentation, bank executives said it will "selectively allocate" capital to its operations in Peru and Chile and will exit or seek to improve its business in Colombia, without allocating additional incremental capital there. "Let me be as clear as I can be: if we don't see a path to improvement, we're going to redeploy that capital as fast as we can," said Francisco Aristeguieta, Scotiabank's group head for international banking, Bloomberg News reported. "But we've got to give a chance for these plans to happen," he added. In addition to possibly exiting Central America, the bank may also withdraw from international consumer finance, he said.

Elysian Wins Most Blocks in Brazil Offshore Oil Auction

Brazil's offshore oil auction on Wednesday offered more than 602 lots of oil and gas exploitation, despite climate protests surrounding the event, El País reported. The auction was held shortly after the end of the COP28 climate summit, in which Brazil and nearly 200 other countries signed a historic agreement to an energy transition away from fossil fuels. Brazilian environmentalists attempted, unsuccessfully, to prevent the auction by lodging a complaint against it in court, but the nation's state-owned oil and gas company, Petrobras, proceeded with auctioning rights to gas exploration across Brazil, including some areas in the Amazon, El País reported. Of the blocks up for auction, oil company Elysian stood out by winning 122 of them, putting the relative newcomer firm alongside Petrobras and Chevron as the major winners of the auction, Reuters reported. Elysian was founded earlier this year, specifically to compete in the auction. Brazil is set to receive 500 million reais, or \$102 million, from the auctioned lots. "We achieved a very successful strategy," Petrobras CEO Jean Paul Prates told Reuters. "We entered a border area with little probability of having environmental problems," he added. The state-run oil firm claimed 29 blocks in the auction.

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ty.' Milei's foreign minister, Diana Mondino, appears confident that Argentina's commercial relationship with China will survive Milei's cold shoulder. Though state-to-state dealmaking is unlikely—"we should not be doing any more shady deals with autocrats," she said during the campaign—she expects the cargo ships in Rosario to continue sailing to China carrying Argentine soybeans, corn and wheat. She might be right; after all, China depends on Argentina, not only for food, but also for lithium for its battery industry. But then again, Xi is surprisingly thin skinned and in recent years, Beijing has shut out important trading partners, such as Australia, amid diplomatic spats."

A Jorge Heine, research professor at the Frederick S. Pardee School of Global Studies at Boston University and former ambassador of Chile to China: "Milei will not sever ties with China. After denouncing China as 'communists' and 'assassins,' he is now backpedaling. A first step was to say that there would be no 'political relations' with China, but that business relations would go on as usual. China made it clear that would not work. By now, Milei has responded to a congratulatory letter sent to him by Xi Jinping, and Wu Weihua, a leader of the Chinese National People's Congress, attended Milei's inauguration. Argentina exports \$8 billion worth of products to China, and 92 percent of its soybean exports go there. China has also provided significant financial cooperation to Argentina, by means of loans and 'swaps.' Milei will not want to put that at risk. Foreign Affairs Minister Diana Mondino's announcement that Argentina will reject the invitation to join the BRICS, made after Milei's visit to Washington, is already a slap in the face to China, and to Brazil. Milei is thus walking a very thin line. While China might take the BRICS refusal in its stride, any further unfriendly gestures, like questioning the government-to-government deals in infrastructure, energy and mining, would go down

badly in Beijing. Milei is caught between a rock and a hard place. He needs the United States to help renegotiate its \$45 billion debt to the IMF, which Argentina can't pay. Yet, he also needs the Chinese market. Whereas the Argentine and the Chinese economy are complementary, the Argentine and the U.S. economy are not. The United States will not buy soybeans, meat or grains from Argentina, and neither will Israel. Either Milei accepts this hard reality, or his government will start teetering from the word go."

A Bruno Binetti, nonresident research fellow with the office of the president at the Inter-American Dialogue: "Despite Milei's campaign rhetoric, cutting ties with China was a nonstarter given its importance as a trade, investment and finance partner for Argentina. As with other issues, Argentina's new president quickly turned toward pragmatism regarding Beijing. In fact, as soon as he took office Milei asked Xi Jinping to renew a currency swap agreement that Argentina

“ Impoverished Argentina is in no position to openly challenge a great power.”

— Bruno Binetti

desperately needs to shore up its reserves. Nobody will shed a tear for Argentina's absence from BRICS, and Milei's decision not to join will not have major repercussions. The BRICS is a political forum, not an economic bloc, and Argentina is not exactly a rising power (quite the opposite). China never intended for Argentina to join in the first place; it only agreed at the request of President Lula of Brazil, who expected Sergio Massa to become president. President Milei might dislike the Chinese regime, but his idea of separating the economic and political aspects of the bilateral relation was

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a fantasy. In exchange for financial support, China will likely ask Milei to visit Beijing to pay his respects and to confirm that all existing projects will continue, including two Chinese-built hydropower dams in Patagonia. Impoverished Argentina is in no position to openly challenge a great power. If Milei expected to recreate former President Menem's 'total alignment' with the United States and the West, his recent U-turn on China shows how much the world has changed in three decades. As Milei seems to be realizing, a changing world and Argentina's weakness call for flexibility."

A **Rasheed Griffith, head of operations at Merkle Hedge:** "Running a campaign inevitably requires different rhetorical strategies than governing a nation. Milei has a robust libertarian ideology and a keen sense of business engagement. With this particular ideological thrust, it is understandable why he would not want to entangle Argentina into any political coordination mechanism with authoritarian countries, either by design or effect. So then, not joining BRICS is not a signal of disengagement from China. Indeed, China's largest trading partner, the United States, is not a member of BRICS—and has no intention of ever joining. Trade and

investment between Argentina and China will continue to grow—and likely more rapidly as Argentina implements Milei's fiscal package. However, we should expect a decrease in

“Running a campaign inevitably requires different rhetorical strategies than governing a nation.”

— Rasheed Griffith

loans from China as Argentina dollarizes. One central point of the China-Argentina relationship in recent years has been the bilateral swap agreement of the renminbi. What is often not mentioned is that Argentina usually uses renminbi to buy dollars. If dollars become the default currency, then there will be little to no need for such swap arrangements at such a scale. Milei might come off as a strident 'anti-China' critic, but in fact, he is merely trying to balance what he perceived as authoritarian ascendancy with economic engagement."

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

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