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FEATURED Q&A

What Will Brazil & China Gain From Strong Relations?



Brazilian President Luiz Inácio Lula da Silva met last month in Fortaleza with Chinese Foreign Minister Wang Yi. // Photo: Chinese Government.

Q Chinese Foreign Minister Wang Yi told Brazilian President Luiz Inácio Lula da Silva during a Jan. 19 meeting in Fortaleza that China has always prioritized its relations with the South American country and also supports Brazil's economic and social development and its taking a greater role in regional and international affairs. What does Lula hope to achieve through his government's relationship with China? How economically and politically important are Brazil and China to one another? In which ways will Brazil's relationship with China further develop during Lula's term?

A Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue: "China and its companies have prioritized relations with Brazil since the onset of China's enhanced economic engagement with the region, starting in the late 1990s and early 2000s. Brazil was seen as a natural (read: sizable) market for Chinese goods, and a critical supplier of soy, which China has required in growing quantities in recent years—mostly for use as animal feed. Brazil has also been a top market for Chinese investors in the region, whether in traditional sectors (agriculture and oil and gas) or emerging ones, such as telecommunications, electric vehicles and other higher-tech manufacturing. Brazil and China additionally worked to align their international priorities during Lula's first administration, as they joined forces on BRICS development. In general, the drivers of China-Brazil relations haven't changed all that much in recent years. Trade continues to underpin the relationship and even grew in importance amid the U.S.-China trade war and disruptions brought about by Russia's war in

Continued on page 3

TODAY'S NEWS

POLITICAL

More Than 100 Killed in Chile Forest Fires

Forest fires burning across Chile have killed at least 112 people and have left hundreds more missing.

Page 2

ECONOMIC

Argentina's Lower House Gives General OK to Milei's Reforms

The lower house of Argentina's Congress on Friday gave general approval to President Javier Milei's package of broad reforms.

Page 2

POLITICAL

El Salvador's Bukele Wins Re-election in Landslide

Salvadoran President Nayib Bukele resoundingly won re-election to a second five-year term in Sunday's presidential contest. According to partial results, he was re-elected with more than 80 percent of the vote.

Page 2



Bukele and his wife celebrated victory Sunday night. // Photo: Facebook Page of Nayib Bukele.

POLITICAL NEWS

Bukele Sweeps to Victory in El Salvador Presidential Election

Salvadoran President Nayib Bukele won re-election in a landslide on Sunday, garnering 83 percent of the vote, according to provisional results with 31.49 percent of the ballots counted, according to the elections authority. Before official results were announced, Bukele claimed victory, saying that he won more than 85 percent of the vote, Reuters reported. "All together, the opposition was pulverized," Bukele said while standing alongside his wife on the balcony of the National Palace, the wire service reported. "El Salvador went from being the most unsafe [country] to the safest. Now in the next five years, wait to see what we are going to do," he added. Bukele launched a security crackdown in March 2022 after gangs went on a killing spree. Since then, more than 75,000 people have been arrested, including 7,000 who were later released, The New York Times reported. Thousands of others who are not gang members remain behind bars, according to human rights groups that have documented cases of prisoners being deprived food and being tortured, the newspaper reported. While El Salvador now has the world's highest incarceration rate, its homicide rate has also dropped dramatically, Bloomberg News reported. Property values are rising in El Salvador amid hopes for a boom in tourism and the country's bonds returned 114 percent last year, the highest among developing countries, Bloomberg News reported. "We are celebrating, thanking [Bukele], thanking God, for getting us out of this gang problem. We don't want to go back to that horrible past," Guadalupe Guillén, a 55-year-old shopkeeper, told Reuters. She said she no longer pays \$300 in extortion payments to gangs every two weeks. Bukele's critics have said his running for immediate re-election violated the constitution. But Guillén told Reuters that the country's democracy is intact. "Democracy is not at risk because all the people have voted for him," she said.

More Than 100 Killed in Chile Forest Fires, Some 370 Missing

Forest fires burning across Chile have killed at least 112 people and left hundreds missing, with President Gabriel Boric on Sunday warning that the country faces a "tragedy of very great magnitude," Reuters reported. More than 3,000 homes have been destroyed, according to government officials, and the mayor of Viña del Mar said Sunday that some 370 people were missing, The Wall Street Journal reported. Chilean authorities have mobilized the military to assist in firefighting efforts, employing helicopters to dump water on key areas, Reuters reported. The fires spread rapidly on Friday, burning down entire neighborhoods and inching closer to Viña del Mar and Valparaíso, an area that is home to roughly a million Chileans. "The wind was terrible, the heat scorching. There was no respite. People dispersed everywhere," Pedro Quezada, a local resident of the Valparaíso area, told Reuters. Hundreds of people are still missing in the chaos of the fires and a 9 p.m. curfew has been imposed in some areas. "It is Chile as a whole that suffers and mourns our dead," Boric said in a televised address on Sunday, announcing two days of national mourning to begin this week, Reuters reported. The governor of the Valparaíso region, Rodrigo Mundaca, on Sunday raised the possibility that some of the fires may have been set intentionally. "These fires began in four points that lit up simultaneously ... we will have to work rigorously to find who is responsible," he said, The Guardian reported.

ECONOMIC NEWS

Argentina's Lower House Gives General OK to Milei's Reforms

The lower house of Argentina's Congress on Friday gave general approval to President

NEWS BRIEFS

Cuba's Díaz-Canel Dismisses Economy Minister, Taps Vázquez

Cuban President Miguel Díaz-Canel dismissed the nation's economy minister, Alejandro Gil, on Friday, according to state media, following delays in a plan to increase fuel prices, the Associated Press reported. The jump in gasoline prices was planned for Feb. 1, but the government said a cyber-attack delayed the policy's implementation. Cuba's Council of State tapped central bank chief Joaquín Alonso Vázquez as Gil's replacement.

Texas Governor Vows to Retain Control of Border Hotspot

Texas Governor Greg Abbott on Sunday vowed to maintain state control of a part of the U.S. border with Mexico where he has sent the state's national guard to deter migrants from illegally entering, Reuters reported. The Biden administration has said the area in the town of Eagle Pass, Tex., falls under federal jurisdiction. However, Abbott, who met at the site with fellow Republican governors from 13 other states, said Texas would maintain control of the area for "as long as it takes to maintain security and to eliminate crossings."

Venezuela's Oil Exports Fall 25% in January

Venezuelan oil exports fell 25 percent in January, according to data from state-owned oil company PDVSA, Reuters reported Tuesday. Crude quality issues and power outages that delayed loading at the main oil export terminal have hindered exportation, although exports were still up 3 percent when compared to the same month last year. The United States promised last week to reimpose sanctions on Venezuela's oil sector in April if President Nicolás Maduro does not adhere to agreements on a free and fair election this year.

Javier Milei's so-called "omnibus" reform bill to deregulate the economy, the Associated Press reported. The measure passed the Chamber of Deputies on a vote of 144-109. Starting Tuesday, lawmakers will have to debate individual articles in the package of reforms, which include changes to economic, administrative, environmental and criminal laws. Some lawmakers have expressed concerns about changes relating to the privatization of state companies and the proposed delegation of legislative powers to the president, the AP reported. However, the lower chamber's passage of the reforms in general terms means that the package will likely proceed to the Senate in some form, Reuters reported.

BUSINESS NEWS

South Korea's LS e-Mobility Solutions Opens Mexico Plant

South Korean automotive parts manufacturer LS e-Mobility Solutions has opened a new factory in Mexico's Durango state that will produce crucial safety parts for electric vehicles, The Korea Times reported today. The company says the factory will have a production capacity each year of four million battery disconnect units and five million electric vehicle relays, critical components for electric vehicle manufacturing. LS e-Mobility Solutions said the plant's location in Mexico is key for its expansion into North America and the United States in particular, serving as a base for both production and logistics, The Korea Times reported. An affiliate of the company added that LS hopes to reach 700 billion won (roughly \$525 million) in sales in North America by 2030. The company's other two production bases are both located in China. "LS e-Mobility Solutions will play a pivotal role in the next-generation core business by growing to become the best auto parts manufacturer for EVs in North America," LS Electric Chairman Koo Ja-kyun said at an event celebrating the factory's opening, The Korea Times reported.

FEATURED Q&A / Continued from page 1

Ukraine. Brazil also remains a major market for Chinese investment, though it has fallen in importance over the past five years as Chinese companies focus more intensively on Chile and Mexico, for instance. Moreover, with Lula again at the helm, we see continued efforts to again pursue mutual interests in the international sphere. Lula's April 2023 visit to China was seen as signaling more to come—especially following Bolsonaro-era tensions. We've yet to see many dramatic developments in the bilateral dynamic, however. Or much indication of progress on issues of stated mutual interest to both countries, such as on climate change cooperation, which was a feature of last April's talks."

A **Jorge Heine, research professor at the Pardee School of Global Studies at Boston University and former Chilean ambassador**

to China: "The Brazil-China relationship is one of the most significant in the Global South. Bilateral trade in 2023 reached a record \$158 billion (one-third of Brazil's exports go to China), with Brazil running a significant surplus. Chinese foreign direct investment in Brazil is estimated at \$71 billion. These links have been cemented through entities like the BRICS group, whose New Development Bank, headquartered in Shanghai, is presently run by former Brazilian President Dilma Rousseff. Much of China's investment in Brazil has been in the power sector. Now the trend is toward green energy, especially in the electric vehicle sector (EV). China's BYD, the world's largest EV maker, will invest in an EV factory in the Camacari industrial park in Bahia state, and Great Wall Motors will invest in another in São Paulo state. Lula's government also puts great value on its political relations with China. Lula visited Beijing last April with a huge delegation, and Foreign Minister Wang Yi confirmed President Xi's visit to Brazil next November, to coincide with the G20 summit (whose summit in New Delhi last September Xi pointedly skipped). Brazil sees China as a

key player in an increasingly multipolar world and has refused U.S. entreaties to exclude Huawei from its 5G telecom network. That said, Lula is also determined to nurture Brasilia's good relations with Washington (which he visited last February before going to Beijing), and the strong rapport he has with President Biden. Brazil thus follows a policy of active nonalignment, which does not choose sides among the great powers, but puts its own interests front and center, while it remains constantly on the lookout for new opportunities in the international scenario."

A **Tara Hariharan, managing director of global macro research at NWI Management:** "The

Lula-Wang meeting marked 50 years of bilateral diplomacy. Brazil became China's first official strategic partner in 1993 and a 'global strategic partner' in 2012. China has been Brazil's top trading partner since 2009 (during Lula's first presidential stint). Brazil exports soybeans, iron ore and meat to China, importing Chinese manufactured goods. Already a key recipient of Chinese FDI, Brazil will further benefit from Chinese investment in Latin American lithium extraction and battery and electric vehicle manufacturing. Geostrategically, Lula helped form the BRICS bloc, and like China seeks to amplify the developing world's influence. But Brazil is wary of China's dominance in the BRICS—notably, Lula ally and successor Rousseff heads BRICS' development bank but China is the bank's primary funder. U.S.-China tensions and upcoming U.S. elections pose further complications. Brazil is closer-aligned to America's political system and values than China's. Per Pew, Brazil's public held a net unfavorable view of China in 2023. U.S. foreign direct investment in Brazil still dwarfs China's investments. Lula denounced predecessor Bolsonaro's ties to Trump, and has engaged Biden on bolstering democracy and environmental protections. Yet, Lula-like China—opposes the dollar's

Continued on page 4

FEATURED Q&A / Continued from page 3

dominance in global trade. Lula also backs Huawei's inroads into Brazil's telecom infrastructure despite U.S. concerns. A second Trump administration may pressure Brazil to antagonize China. However, when Lula visited China last April, he claimed no one could prevent Brazil from cultivating Chinese ties. Lula will likely remain non-aligned, playing the U.S. and China off each other to further Brazil's economic and geostrategic interests."

A **R. Evan Ellis, Latin America research professor at the U.S. Army War College's Strategic Studies Institute:** "Brazil has recognized China since 1974, and its 'one China' affirmation is more mantra than news. Since Wang Yi's 'first trip of the year' is usually limited to Africa, and his trips are often precursors to presidential ones, his stop in Fortaleza en route to Jamaica suggests that Xi Jinping will possibly take a trip this year to both. Brazil has long been China's most important commercial partner in the region, receiving \$67 billion of \$185 billion of China's foreign direct investment to the region since 2003, according to the respected Red ALC-China. Similarly, 47 percent of China's \$232 billion in imports from Latin America come from Brazil, particularly low-value added commodities such as soybeans, iron and petroleum, while 25 percent of Chinese

exports to the region are absorbed by Brazil. China-based electricity generation and distribution, telecommunications and other digital technology companies, EV and other auto companies and Chinese banks have all made major advances in Brazil. The volume of China-Brazil trade and its \$30 billion currency swap agreement also makes Brazil

“Brazil has long been China's most important commercial partner in the region...”
— R. Evan Ellis

a relevant accomplice in China's long-term work to promote the renminbi in international finance and dethrone the dollar. The countries' membership in BRICS compliments Brazil's historic focus beyond the region and Lula's attempts to be an international player, to give the China-Brazil relationship more political weight than some in the region. Indeed, Lula has already resurrected some military and space cooperation with China. Lula, now likely in his final political act, will likely be bolder in engaging China, and will need its money more."

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

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