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FEATURED Q&A

Why Are Officials Leaving Chile's Government?



Finance Minister Rodrigo Valdés Pulido was among cabinet members and other senior officials to leave the administration of Michelle Bachelet last month. // File Photo: SebastianGallegos-Sanchez via Creative Commons license.

Q Chile's finance, deputy finance and economy ministers resigned on Aug. 31, dealing a blow to President Michelle Bachelet's government. What was behind the resignations? What do the high-level departures mean for Bachelet, her political coalition, and for her ability to carry out the remainder of her agenda before she leaves office in March? What can be expected of the country's new finance minister, Nicolás Eyzaguirre, and the new economy minister, Jorge Rodríguez?

A Patricio Navia, clinical professor of Liberal Studies at New York University and professor of Political Science at Universidad Diego Portales: "In their last months, presidents who are term-limited inevitably become lame ducks. With 10 weeks to go before the first round vote in the presidential election on Nov. 19, Chilean President Michelle Bachelet is already a lame duck. After having gone through tough two years with very low approval ratings, Bachelet is now moving up in the polls as people perceive her as an outgoing president and begin to assess her entire two-term legacy (both during 2006-2010 and 2014-2018). But her improving numbers do not mean that she has more power to push forward her legislative agenda or advance her pet projects. Since former President Sebastián Piñera is comfortably leading the polls, economic actors are now paying more attention to what he has to say about economic policy than to Bachelet's positions. It is true that Bachelet does not want a repeat of 2010, when she handed power over to a right-wing opposition leader. That explains why Bachelet is sending legislation to Congress that seeks to increase social spending,

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TODAY'S NEWS

POLITICAL

Venezuelan Gov't, Opposition Agree to New Talks

Venezuelan President Nicolás Maduro and opposition leaders on Tuesday agreed to start talks Wednesday in the Dominican Republic after months of lethal street protests and stalemate.

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ECONOMIC

Argentine Prices Rise Within Target Range, For Now

Consumer prices in Argentina rose a relatively modest 1.4 percent in August. The figure brings inflation year-to-date to 15.4 percent, and some analysts suggest an up-tick can be expected due to policy changes after October elections.

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POLITICAL

Top Brazil Court Allows New Case Against Temer

Supreme Court Justice Luís Roberto Barroso found sufficient evidence to investigate whether Brazilian President Michel Temer traded favors for bribe money in May.

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Barroso // File Photo: Brazilian Government.

POLITICAL NEWS

Brazil's Supreme Court Approves New Case Against Temer

Brazil's top court on Tuesday authorized a new corruption and money laundering investigation targeting President Michel Temer, the Associated Press reported. Supreme Court Justice Luís Roberto Barroso ruled there is sufficient evidence to investigate whether Temer signed a decree in May this year to favor a company operating in the port of Santos in exchange for bribe money. Barroso also authorized an investigation of Rodrigo Rocha Loures, 50, a former Temer aide accused of carrying bribe money for him in another case. Loures was arrested in July after being caught on police video leaving a restaurant carrying a bag with more than \$150,000 in cash. Brazil's top prosecutor, Rodrigo Janot, whose attempt earlier this year to put Temer on trial for a corruption charge was rejected by Congress' lower house, will lead the new investigation until his term ends Sunday. Raquel Dodge, an appointee of the president, will take over as chief prosecutor Monday. In a statement released ahead of the anticipated announcement of the new charges, Temer's office slammed corruption investigators, BBC News reported. "We have reached the point where they try to convict people without even hearing them—without ending the investigation, without uncovering the truth, without verifying

the existence of real proof," the statement said. Advisory firm Eurasia Group currently forecasts that Temer has a 70 percent chance of surviving his term in office through elections scheduled next year.

Venezuelan Gov't, Opposition Agree to Start New Talks

Venezuelan President Nicolás Maduro on Tuesday accepted an invitation from the Dominican Republic and Spain's former head of government, José Luis Rodríguez Zapatero, to resume a dialogue with the opposition, El Universal reported. "I want to announce that ... I accept this new day of dialogue," Maduro said on state television. Foreign Minister Jorge Arreaza told his French counterpart, Jean-Yves Le Drian, in Paris that talks would begin on Wednesday in the Dominican Republic, EFE reported. Maduro has appointed Jorge Rodríguez, the mayor of the Libertador municipality of Caracas and a former vice president of the country, to represent the government in the talks. The opposition, which for months earlier this year led almost daily and often lethal street rallies against Maduro's government, said it would be present for the talks but would require pre-conditions. The Democratic Unity Roundtable, or MUD alliance, pulled out of Vatican-backed talks last year, saying the government failed to free political prisoners and hold fair elections. "The time for symbolic gestures is over," the

NEWS BRIEFS

Pemex Expects Largest Refinery to Reopen Within a Month After Damage

Mexico's national energy company, Pemex, said Tuesday its Salina Cruz refinery, the country's largest, will be operational within three or four weeks, Reuters reported. A massive earthquake last week damaged the facility's electrical system and led to nearly 100 deaths. The refinery processes up to 330,000 barrels per day. The country's needs will be met for two months because Pemex bought extra fuel shipments after hurricane Harvey interrupted fuel exports from the United States, according to the report.

Enel, ENAP Inaugurate First Geothermal Plant in South America

Italy-based Enel and Chilean state power company ENAP on Tuesday inaugurated the first large-scale geothermal power plant in South America. Cerro Pabellón, located in the Atacama Desert, has two units with a gross installed capacity totaling 48 megawatts. It will be able to produce around 340 gigawatt hours per year, equivalent to the consumption needs of more than 165,000 Chilean households while avoiding the annual emission of more than 166,000 tons of CO₂ into the atmosphere.

Bunge Backs Online Tool to Curb Deforestation

Multinational agriculture giant Bunge and partnering organizations on Tuesday launched an online database aimed at helping companies discourage farmers from cutting down forests for arable land, Reuters reported. The Portuguese-language database, www.agroideal.org, has data on Brazil's Cerrado region and will later include the Amazon region. Bunge, which invested some \$1.3 million in the platform, plans to expand the database to Paraguay and Argentina as well.

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polarize the electorate and force Piñera to take unpopular but fiscally responsible positions. Those bills—like the pension reform bill—have no chance of passing, but they might make it more difficult for Piñera to win the election at the end of the year. In that context, Rodrigo Valdés' departure does not have a meaningful effect. His resignation—the first by a finance minister since democracy was restored in 1990—reflects the deep divisions within the center-left coa-

lition on what the roadmap for development should be in the future. But those divisions are evident in the fact that the center-left ruling coalition has two presidential candidates and two different legislative slates of candidates for the November election. Thus, Valdés' resignation is big news—something like that has never happened before—but we cannot say that his departure is surprising or that it will change the lame-duck condition of the Bachelet administration."

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alliance said in a statement. "To enter into serious negotiation, we demand immediate actions that demonstrate a real willingness to resolve the national problems and not to win time."

ECONOMIC NEWS

Inflation in Argentina Rises Within Target Range, For Now

Consumer prices in Argentina rose a relatively modest 1.4 percent in August, state statistics agency Indec said on Tuesday, Reuters reported. The figure brings inflation year-to-date to 15.4 percent, among the highest in the world, yet still below some expectations earlier this year for inflation to have reached 22 percent by now. The central bank is trying to keep inflation under 17 percent for 2017. Economists expect prices may rise after elections in October. "Headline and core inflation are likely to decelerate further in September, but only temporarily in our view," JP Morgan analyst Diego Pereira wrote in a research note Tuesday. "Expected regulated prices adjustments following the October election would put upside pressure" on inflation in the fourth quarter this year.

Brazilian Retail Sales Remain Flat in July Yet Beat Expectations

Retail sales in Brazil flattened out in July after three consecutive months of expansion, the Brazilian Institute of Geography and Statistics said Tuesday, Dow Jones reported. Despite practically no sales growth in July, Brazilians spent more than analysts had expected. "The outlook for private consumption and retail sales has been improving, supported by the very significant decline in food prices and overall inflation," Goldman Sachs analyst Alberto Ramos wrote in a research note on Tuesday. Activity in July was driven by sales of food and beverages, office and communica-

THE DIALOGUE CONTINUES

Does Argentina Need Major Labor Reform?

Q Argentina's main labor unions in August protested in the streets of Buenos Aires against President Mauricio Macri's economic policies and demanded more jobs. Thousands of workers demonstrated in the Plaza de Mayo against Macri's center-right economic policies, including lowering labor costs to attract investment. Are Macri's labor policies doing more to help or hinder Argentina's economy? How should Macri go about negotiating labor reforms, and which reforms are most important to boosting the economy? Is there a way for Macri to attract investment while also placating the country's labor unions?

A Andrés Asiain, director of the Scalabrini Ortiz Center for Economic and Social Studies in Buenos Aires: "Mauricio Macri's labor reform project is looking to advance in the same direction as the reforms introduced by Temer in Brazil. The package of new labor regulations would undo the improvements to work conditions and to the lives of workers that have been obtained over the last century. This intent to regress labor relations to the pre-Ford era (which in Argentine economic history was pre-Peronist) is being realized under the argument that by reducing labor costs, the economy will become more competitive, attracting investment and generating more employment and growth. However, the 'cost of labor' is, in turn, investment in workers. In this way, the labor reforms in Brazil and Argentina will end with reducing investment in the countries' workers, and as a consequence the coun-

tions equipment and clothing and footwear. In annual terms, core retail sales, which exclude autos and building materials, rose by 3.1 percent, while broad retail sales advanced 5.7

tries will see domestic markets erode. The result will be a reduced regional market that won't attract investment, since the prospects for sales will be lower. Its effect on the level of activity will be negative, because the reduction of production and investment in sectors that sell to the domestic market will not be compensated for the growth in the

“ This policy will accentuate inequality in the region.”

— Andrés Asiain

export sectors. The latter are the traditional primary sources, whose level of activity does not depend on the cost of labor. The possibility of imitating the path of growth based on exports in the style of Southeast Asia is unviable in the region, given its geographic location and the current resurgence of protectionist policies in developed countries. The effect of the reforms will also be a higher profitability in traditional export activities for commodities and in some basic services with inelastic demands. This policy will accentuate inequality in the region, which already is one of the most unequal in the world, and will bring along with it social, political and economic instability."

EDITOR'S NOTE: The above is a continuation of the Q&A in the Aug. 30 issue of the Latin America Advisor.

percent. Gross domestic product will grow by at least 3 percent year-on-year at the start of 2018, Finance Minister Henrique Meirelles said Tuesday.

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A Peter M. Siavelis, professor and chair of the Politics and International Affairs Department and associate director of the Latin American and Latino Studies Program at Wake Forest University: “Chileans are tired of Michelle Bachelet. Conversations on the streets of Santiago and public opinion survey data—with most surveys showing her hovering slightly below a 30 percent approval rating—suggest this is the case. The resignation of Finance Minister Rodrigo Valdés and Economy Minister Luis Felipe Céspedes, as a result of a series of disagreements between La Moneda’s economic team and the president’s political advisors regarding a proposed mining project in the north of Chile, would seemingly provide more evidence

“**In the rearview mirror of history, this government will be seen in a much more positive light.**”

— Peter Siavelis

of the widely held notion that Bachelet’s second term has been a failure, characterized by excessive cabinet turnover, incoherent messaging and ad-hoc policymaking. Contrary to this perception, the reality is that this has been an extraordinarily successful government compared to others of the center-left Nueva Mayoría. In the rearview mirror of history, this government will be seen in a much more positive light. Bachelet recently oversaw a comprehensive overhaul of Chile’s draconian abortion laws and a gay-marriage bill is in the works. Earlier in her term, she promoted successful tax and education reforms and the reform of the Pinochet-era binomial electoral system. While it is true that many of these reforms are imperfect, they responded to the contextual political

dynamics from which they emerged, and can be perfected by subsequent legislation. That said, given the likely victory of Sebastián Piñera in November’s race to La Moneda, Eyzaguirre and Rodríguez will join what is soon to be a lame-duck administration, with few prospects for advancing further significant reforms. However, the successes of this government are real, and unfortunately for Nueva Mayoría’s future electoral prospects, they are recognized by few.”

A Manuel Agosin, dean of the School of Economics and Business at the Universidad de Chile: “The resignations of Finance Minister Rodrigo Valdés and his deputy, Alejandro Micco, together with that of Economy Minister Luis Felipe Céspedes, were a big blow to the Bachelet government. But she had it coming to her. A mining project worth \$2.5 billion in a poor region was denied the go-ahead by a committee of six ministers under obscure circumstances, after it had passed the environmental impact assessment and a series of other consultations with interested parties. Céspedes was part of the committee, and he left before the vote, claiming that he had not had the time (between Friday night and Monday morning) to evaluate the project. The ambiguity in the application of laws and regulations is not something that does the country any good. Its vaunted rule of law and strong institutions have been called into question. The authorities who resigned did so because they saw no good reasons for the rejection of the project. The new authorities (Nicolás Eyzaguirre in Finance and Jorge Rodríguez in Economy) are experienced hands and can be expected to do a good job. They have held the same positions in past center-left governments and acquitted themselves well.”

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