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## FEATURED Q&A

# Will Brazil Pass a Pension Reform This Year?



Brazil's plan to reform its costly pension system will be in jeopardy if it does not pass the lower of Congress this year, Chamber of Deputies Speaker Rodrigo Maia said Friday, adding that the overhaul still lacks enough votes for approval. // File Photo: Brazilian Government.

**Q** Brazilian President Michel Temer has said he will continue to push forward with plans for a pension reform by the end of this year, even if it means passing a watered-down version of the reform. He said he sees the reform's passage as key to closing the country's deficit gap. Rodrigo Maia, the speaker of Brazil's lower house of Congress, has said Temer will need to work on regaining favor with Congress if he hopes to see the bill passed this year. What would a watered-down version of the legislation look like and mean for Brazilians? Would watering it down weaken its effect on Brazil's deficit? How likely is it that lawmakers will pass the bill this year, and what political capital does Temer have to help convince legislators to pass the bill?

**A** Milko Matijascic, researcher at the Institute of Applied Economic Research (IPEA) in Brasília: "The original pension reform proposal would establish a minimum retirement age of 65 for all workers and raise the time of contribution to 44 years to receive a full benefit. The minimum time of contribution to receive a pension would rise from 15 to 25 years. Workers in the public and private sectors would be part of a unified system. Finally, workers would face barriers to accumulating multiple pensions. For all countries with diversified economies, pensions are a major component of public spending. Reducing public spending is a sensible policy in order to reduce the deficit. However, the original proposal affects smaller and more rural communities, where workers make fewer contributions. For this popula-

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## TODAY'S NEWS

### POLITICAL

## Piñera, Guillier Head to Runoff in Chile Election

Former President Sebastián Piñera and Senator Alejandro Guillier will face off in Chile's December presidential runoff. Leftist journalist Beatriz Sánchez came in a close third, better than expected.

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### BUSINESS

## Televisa Executive Killed in Apparent Robbery Attempt

Adolfo Lagos, head of the Mexican broadcaster's cable and telecommunications unit, was shot while biking on a highway near the ruins of Teotihuacán.

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### POLITICAL

## Former Caracas Mayor Escapes House Arrest

Former Caracas Mayor Antonio Ledezma escaped from house arrest and fled into Colombia. A fierce critic of President Nicolás Maduro, Ledezma had been detained since 2015 on conspiracy charges.

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Ledezma // Photo: Municipality of Caracas.

## POLITICAL NEWS

## Piñera, Guillier Head to Runoff in Chile Presidential Election

Conservative former Chilean President Sebastián Piñera emerged as the top vote-getter Sunday in the first round of Chile's presidential election and will face center-left Senator Alejandro Guillier in a Dec. 17 runoff. With almost 95 percent of the ballots counted, Piñera garnered 36.6 percent of the vote, while Guillier won 22.7 percent of the votes cast, The Wall Street Journal reported. Piñera and Guillier had been expected to be the top two finishers in the first round. The biggest surprise was the surge from the left, as leftist journalist Beatriz Sánchez came in a close third, with 20.3 percent support. Piñera would have needed more than 50 percent of the votes cast in order to avoid the second round. He celebrated with supporters despite a showing that was weaker than expected. "We've achieved a great electoral result," Piñera told supporters. "We've opened the door to better times." Polls ahead of the vote had predicted the former president would win between 40 and 45 percent of the vote. The results suggest that the runoff could be a closer contest than expected between

Piñera and Guillier. Voters also cast ballots on Sunday for the members of the lower chamber of Congress as well as half the members of the Senate. Preliminary results on Sunday night gave Sánchez's Frente Amplio party, which was founded earlier this year, significant gains in Congress, The New York Times reported. The results mean that as of next year, political power in Chile will not be held solely by the two coalitions that have governed the country since the end of military rule in 1990. Voter turnout was low, at about 45 percent. Current President Michelle Bachelet, who also served as president from 2006 to 2010, ends her current term in March and is constitutionally barred from seeking immediate re-election. She has said she will not seek elected office in Chile again in the future.

## Argentine Sub Goes Missing With 44 Crew Members Aboard

Argentina is searching for one of its navy submarines that has gone missing with 44 crew members aboard, CNN reported Saturday. The submarine had been missing for three days after it lost contact with the navy off the country's Atlantic coast, the Argentine navy said. The ARA San Juan was last spotted on

## NEWS BRIEFS

## Rio de Janeiro State Legislature Votes to Free Jailed Speaker

Rio de Janeiro's state legislature on Friday voted to overturn a court ruling that had placed state speaker Jorge Picciani in jail while he waits trial on corruption charges, Agence France-Presse reported. The 39-19 vote has been portrayed in Brazilian media and on social networks as an example of the widespread impunity public officials that have been charged with corruption appear to enjoy. Picciani, a member of the ruling PMDB party, had been detained after being charged with running a corruption scheme in the transportation sector. The state legislature argued it has the authority to overturn a judge's ruling regarding members of its body.

## China Vows to Help Panama After its Break With Taiwan

China will provide Panama any help it needs, a top Chinese diplomat said Friday following talks between the two countries' presidents in Beijing, Reuters reported. The comments by Zhao Bentang, who heads the Chinese foreign ministry's Latin America division, came five months after Panama cut diplomatic ties with Taiwan in favor of establishing them with China.

## Graña y Montero Eyes New Mining Contracts

Peru's largest construction company, Graña y Montero, is hoping to win major mining contracts in order to offset losses to its business due to the company's links with the corruption scandal-plagued Brazilian construction company Odebrecht, the company's chairman said Friday, Reuters reported. Augusto Baertl in an interview said opportunities for Graña y Montero included plans by Anglo American and Minsur to build new mines in Peru.

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tion, social security transfers represent a major source of income, and cutting benefits would severely increase economic hardship. Given this resistance to the reform, the latest proposal would maintain different retirement ages for men and women (65 and 62 respectively), not equalize the eligibility rules for urban and rural workers, and keep the minimum time of contribution at 15 years. These amendments have reduced opposition to the reform, however with the rush to vote on the measures by the end of the year, it seems unlikely to be approved. Yet, it is important to keep in mind that the current administration has succeeded with other initiatives and

could pass a less ambitious pension reform that would nonetheless represent a very important reduction in public expenditures."

**A** **Marcos Casarin, head of Latin American macro services at Oxford Economics in London:** "It is not an overstatement to say that Brazil's economy cannot survive without a pension reform in the long run. That said, approving it before the end of the year is no longer as crucial as it used to be, due to the fact that Brazil now has total government expenditure capped by the Constitution. The real issue is that the longer politicians

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Wednesday in the San Jorge Gulf. The navy has both land and sea operations searching for the vessel. On Saturday, the navy said it had detected seven failed satellite calls from the San Juan that appear to have lasted between four and 36 seconds and indicate that the "crew is trying to re-establish contact" after communications failed, The Guardian reported. The defense ministry said it is working to trace the location of the calls in the hopes of narrowing down the location of the lost vessel. Officials say they hope the crew will bring the submarine to the surface, as it is easier to establish contact with the navy when it is above water, navy spokesman Enrique Balbi said Friday, CNN reported.

## Former Caracas Mayor Escapes House Arrest

Former Caracas Mayor Antonio Ledezma on Friday escaped house arrest following almost three years of detention and fled into Colombia, Bloomberg News reported. A fierce critic of Venezuelan President Nicolás Maduro, Ledezma was arrested in 2015, stripped of his office and arrested on charges of conspiring to incite violence against the government. On Saturday, Ledezma flew from Bogotá to Madrid, where he hugged his wife and two daughters and met with Spanish Prime Minister Mariano Rajoy. Ledezma said he would fight Maduro from exile. "I am going to dedicate myself to traveling the world, to spreading the hope of all Venezuelans to escape this regime, this dictatorship," he said.

### BUSINESS NEWS

## Televisa Executive Killed in Apparent Robbery Attempt

A senior executive of Mexican television broadcaster Televisa was killed Sunday in an apparent armed robbery attempt while biking

near Mexico City, the company said in a statement, The Wall Street Journal reported. Adolfo Lagos was a former banker and the head of Televisa's cable and telecommunications unit Izzi. He was shot and killed while biking near the pre-Hispanic ruins of Teotihuacán, approximately 30 miles north of Mexico City. A person close to Lagos said gunmen intercepted several people who had been biking with Lagos, and that he was shot as the gunmen attempted to take the bicycles. It was not clear how many other people were injured or killed

in the incident. The Mexico State attorney general's office said it is investigating the killing. The office said Lagos later died at a nearby hospital. The attorney general's office gave no further details. Lagos' death comes amid a rise in homicides across the country and especially in the state of Mexico, the country's most populous. There have been 21,200 murders reported in the first nine months of this year in Mexico, and 1,730 of those occurred in Mexico State, the most of any state in the country, according to government data.

## LEGAL BRIEFS

### Brazil's Merino Signs Up With Steptoe & Johnson

Steptoe & Johnson said Oct. 31 it is strengthening its Brazilian and Latin American practices with the addition of Fernando Quintana Merino, a Brazilian lawyer. Merino initially will be a consultant to the firm based in Brazil, but he is ultimately expected to relocate to Washington. In addition to practicing law, Merino has been acting as an independent board member at Eletropaulo Metropolitana Eletricidade de São Paulo, the largest energy distributor in Latin America, and Igua Ambiental, one the largest water and sewage companies in Brazil.

### Lewis Baach Hires Levin to Bolster Latam Practice

New York-based Lewis Baach Kaufmann Middlemiss said in October that Erika Levin is joining the firm as a partner in its New York office. Born in Brazil, Levin has experience in arbitration and litigation in both the United States and Latin America, having practiced with Clifford Chance, Stone & Magnanini and other firms.

### White & Case Names New Partners

White & Case in October named two new partners who work extensively with Latin America. Based in Miami, Maria Beguiristain concentrates on white collar matters, principally in Latin America, and complex commercial litigation and appellate matters. Jay Campbell has been named a partner in the firm's Global Trade Practice. Based in Washington, he focuses on trade remedy proceedings before the U.S. Department of Commerce and the U.S. International Trade Commission, and in related trade litigation before the U.S. Court of International Trade, NAFTA bi-national panels and WTO dispute settlement panels

### Tauil & Chequer Hires Sancovski as Partner

Tauil & Chequer Advogados, a Brazilian law firm associated with Mayer Brown, in October announced that Michel Sancovski has joined the firm's São Paulo office. Sancovski joins as a partner in the firm's Anti-Corruption & Compliance practice group. He previously counseled state oil company Petrobras at competing firm Trench, Rossi and Watanabe Advogados.

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postpone the reform, the harsher its content will have to be. With around 80 percent of expenditure earmarked, and half of it accounted for pensions (which grows every year), the budget cap implies that cuts need to be made elsewhere, such as in public investment and salaries, so that a collapse is averted. Since May, when President Temer was engulfed in successive corruption

“It is not an overstatement to say that Brazil’s economy cannot survive without a pension reform in the long run.”

— Marcos Casarin

scandals and his political capital evaporated, the possibility of passing the reform in two installments emerged. A watered-down version of the reform would most likely mean approving a minimum retirement age, forcing Brazilians to work for longer, but not changing the value of the pension benefits. It would still help to stabilize the public debt, but by no means remove the necessity of a second leg of the reform after 2019, with a new, hopefully more popular administration. Even if desirable, we do not consider the most likely scenario to be that Temer approves even a diluted version of the reform by year-end. With investor sentiment positive toward emerging markets, it seems like the

pension reform will be kicked down the road to 2019.”

**A** Welber Barral, senior consultant at Barral M Jorge Consultores Associados and former Brazilian foreign trade secretary:

“The reform of the pension system in Brazil is crucial for fiscal stability and for future growth. However, it is highly unpopular, and the government has not properly communicated its relevance (and inevitability). Most probably, a new reform will be needed in two or three years, and the issue will impose a political cost for the new administration to begin in 2019. A watered-down version implies that very simple rules will prevail—most probably minimum age for retirement. This will immediately improve the fiscal impact, but the system is basically unsustainable in the long run. Brazil needs a reform that curbs distortions, like the special pensions for federal employees and the military. It will not be easy to pass the bill this year, even in its reduced version. We are too close to the October 2018 general elections for lawmakers to support unpopular reforms. Besides, parties are already realigning for the elections. Temer is losing the support of more lawmakers every day. His option is to appoint new ministers in exchange for the support of some parties.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2017

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**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

ISSN 2163-7962

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