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FEATURED Q&A

Is Chile's Piñera Making Progress on His Agenda?



Sebastián Piñera returned to Chile's presidency in March, promising to boost the economy, work toward eradicating poverty and strengthen the middle class. // File Photo: Chilean Government.

Q Chilean President Sebastián Piñera in mid-June marked his 100th day in office. Among the billionaire businessman's main campaign promises was to double the economic growth rate that Chile experienced under his predecessor, Michelle Bachelet. He has also vowed to fund social reforms in areas including education and health, as well as reform the country's pension system. How much progress is Piñera making on these promises, and what obstacles stand in the way? How can he achieve his goal of doubling Chile's level of economic growth? What other issues should be on his agenda that are not?

A Kathleen C. Barclay, former president of the American Chamber of Commerce in Chile: "President Piñera's government has shown commitment to fiscal discipline and has worked to implement education and health care reforms (despite an initial hiccup in implementation of the abortion law). He has promised legislation related to health care, pension and tax reforms. Importantly, he has proposed a modification to the environmental approval process for new projects in Chile which, if successful, will facilitate early participation of civil society and streamline approvals to create more certainty for business at an earlier stage, thereby facilitating investment needed to accelerate economic growth. His government has opened public medical facilities on Saturdays and addressed much-needed definition of policies related to immigration and those associated with the care of children under the supervision of the state. Moreover, his announcements

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TODAY'S NEWS

ECONOMIC

Carrasquilla Tapped as Colombia's Finance Minister

Colombian President-elect Iván Duque tapped Alberto Carrasquilla as his finance minister. Carrasquilla previously served in the position under former President Álvaro Uribe.

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POLITICAL

Police Break Up Int'l Money Laundering Ring

The profits of the operation came from drug trafficking in Colombia, Venezuela and Spain, authorities said. Some \$2.9 million was reportedly laundered in the scheme.

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POLITICAL

López Obrador Eyes Anti-Graft Measures

Mexican President-elect outlined his agenda, saying he will push for measures including a binding midterm referendum in which Mexicans will decide whether to keep the president in office.

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López Obrador // Photo: López Obrador Campaign.

POLITICAL NEWS

López Obrador Eyes Anti-Corruption Measures in Agenda

Mexican President-elect Andrés Manuel López Obrador, who takes office in December, on Wednesday outlined a 12-point agenda that he said will help fight corruption, increase accountability, cut government waste and improve Mexico's economy, El Universal reported. Among López Obrador's proposals is a binding vote halfway through the six-year presidential term in which Mexicans will decide whether the president can keep his job. Additionally, he vowed to push a constitutional change that would allow a sitting president to be tried on charges of corruption or election-rigging, Agence France-Presse reported. "That is the mandate Mexicans gave us in the elections. They supported us, they voted for us, in order to put an end to corruption. And we are going

to deliver," López Obrador told reporters after meeting with incoming legislators from his Morena party. He met with the incoming lawmakers a day after electoral authorities confirmed that his party and its allies won a majority of seats in both houses of Congress. His coalition won 69 of 128 seats in the Senate and 307 of 500 seats in the lower house, AFP reported. In outlining his agenda, López Obrador also said his salary as president would be slashed and that perks for top government officials would be reduced, Reuters reported. Additionally, he said teachers, nurses, doctors, police officers and members of the armed forces would receive higher levels of pay.

Police Break Up Multinational Money Laundering Ring

Police in Spain and Colombia, with assistance from Europol, the European law enforcement agency, dismantled two criminal groups in-

NEWS BRIEFS

Colombia's Duque Taps Carrasquilla as Finance Minister

Colombian President-elect Iván Duque on Wednesday announced Alberto Carrasquilla as his finance minister, Reuters reported. Carrasquilla previously served as finance minister in former President Álvaro Uribe's administration, and has also worked at the Colombian central bank and the Inter-American Development Bank. He will be in charge of pushing Duque's proposed tax cuts and a pension reform through a polarized Congress, while trying to boost weak economic growth and avoid a credit ratings downgrade, the wire service reported.

Brazil's RenovaBio Program Could Double Ethanol Output By 2030

The Brazilian government's RenovaBio program, which Congress passed in December, could help double the country's ethanol output by 2030, according to a new government study, Reuters reported Wednesday. The program requires fuel distributors to increase their biofuel sales every year with the aim of helping the ethanol sector compete with subsidized gas prices. [Editor's note: See related [Q&A](#) in the March 2 issue of the Energy Advisor.]

Chile's Foreign Direct Investment Reaches \$8.48 Bn in First Quarter

Foreign direct investment in Chile hit its highest level since the government's investment agency started recording data in 2003, totaling \$8.48 billion in the first quarter of this year, Reuters reported. Investment in Chile had contracted for four years under former President Michelle Bachelet, who left office in March. President Sebastián Piñera has set a target of increasing FDI by an average of 6 to 7 percent during his term through laws that attract investment, the wire service reported.

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regarding women's empowerment were well received and timely in the context of strong feminist movement in the country. Internationally, Chile has worked to strengthen relationships in the region, has been a voice in support of free trade and is clear with respect to its condemnation of non-democratic actions in Venezuela. He has worked to be inclusive in the process of developing solutions and proposed legislation. All of these efforts have served to strengthen confidence. Early signs are encouraging, with recent economic growth figures among the highest that the country has seen in years and with low levels of unemployment. Piñera is focusing on the right issues at the right time. The test will come over the next few months as he works to move legislation through a highly fragmented Congress. He will also need to complete the installation of his government, including pending key appointments such as the naming of an ambassador to the United States."

A **Gabrielle Trebat, director for Brazil and the Southern Cone at McLarty Associates:** "Heeding the lessons from his first term when he was perceived as too close to industry and too far from the people, President Piñera has underscored his commitment to implementing social reforms, such as improving pensions and access to health care and combating poverty and inequality. He reaffirmed this pledge in June during the State of the Union address with announcements regarding universal preschool, health care reform and increased pension subsidies for those on the poverty line. The success of these initiatives will depend largely on improvements in the fiscal situation which, in turn, is dependent upon copper prices despite continued efforts to diversify the economy. While GDP growth has lagged in Chile in recent years, Finance Minister Larrain said he expects to boost GDP growth to an average of around 3.5 percent over the next

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involved in extensive money schemes to launder 2.5 million euros, or \$2.9 million, Europol said Wednesday in a statement. Twenty-three alleged members of the gangs, whose profits came mostly from drug trafficking, were arrested in Spain, Colombia and Venezuela, and nine others are under investigation, Europol added. Moreover, authorities froze many of the groups' virtual wallets, searched 10 houses in Spain and two in Colombia, and seized numerous mobile phones, computers, and banking and financial documents. The groups' money laundering methods ranged from cryptocurrency exchanges to "smurfing," a term used to describe the division of illicit revenue into small remittances, the Associated Press reported. One of the criminal organizations had networks set up in several locations in Spain and France. The other was based in Madrid. Rob Wainwright, who heads Europol, calculates that around 3 or 4 percent of Europe's money laundering crimes, somewhere between \$4 billion and \$6 billion, are committed using cryptocurrency exchanges, The Economist reported in April.

BUSINESS NEWS

GE Exec Accused of Involvement in Health Care Cartel

Brazilian federal prosecutors claim General Electric's chief executive for Latin America, Daurio Speranzini Jr., was involved in an international health care cartel that plotted to fix prices of medical equipment at the National Institute of Traumatology and Orthopedics, or Into, O Globo reported. A Brazilian task force arrested Speranzini, along with 20 others, on July 4. Speranzini is being investigated for alleged illegal practices during his time as head of medical systems at Philips in Brazil, one of several multinational companies allegedly involved in bribery and money laundering schemes to boost and fix prices of medical equipment through arranged bids with a local medical supply firm, Reuters reported. The federal prosecutor's office accused the companies of illicitly handling Into's equipment purchase

THE DIALOGUE CONTINUES

Will Nicaragua Find a Resolution to its Political Crisis?

Q **More than two months after street protests broke out in Nicaragua, some 200 people have died, and peace talks between President Daniel Ortega's administration and opposition and civil society groups have been for the most part unsuccessful. Nicaragua's Catholic bishops, who are mediating the talks, said both sides are discussing the possibility of rescheduling presidential elections for March 2019, rather than holding them in late 2021 as planned, Agence France-Presse reported. Meanwhile, violence has continued to break out across the country. Why have talks stalled, and what scenarios to the impasse are most likely in the months ahead? Is negotiating electoral reform with Ortega realistic? What is each side bargaining for, and how can a peaceful resolution be found?**

A **Fulton T. Armstrong, senior faculty fellow at the Center for Latin American and Latino Studies at American University:** "Daniel Ortega and Rosario Murillo's retreats from the negotiating table indicate awareness that they're losing battles, but confidence—ultimately ill-placed—that they can win the war. The protesters—building 'barreras de adoquines' in previous Sandinista strongholds—reflect popular frustration with the government and outrage at the carnage, but the political class has not produced a coherent, appealing strategy to become a viable alternative. The protest-

ers' energy is unchanneled and in need of leadership. The other members of the former Sandinista Directorate that Ortega led in the 1980s are arrayed against him and have real gravitas among the people, but their voices are also lost in the noise. By refusing to jettison his dynasty-building wife and rejecting early elections, Ortega has left himself no face-saving exit and no face-saving survival strategy. Latin American regimes of the left and the right have taught us well that the fact that public outrage is growing, that elite-based opponents are expressing discomfort, and that the government is acting scared does not necessarily mean a favorable denouement is in the cards in the near future. If adept at anything, Latin American leaders are good at keeping opponents weak and divided, and at using well-calibrated tools of repression to forestall change. For foreign observers who argued, years ago, that Washington's obsession with regime-change in Nicaragua was counterproductive, the ongoing denouement might seem an embarrassment. But those advocating speeding up the timeline of change at all cost—spilling the blood of innocent Nicaraguans—should first defend how well that strategy has worked in Venezuela. Nicaraguans' crisis has deep roots."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Monday's issue of the Advisor.

contracts over 12 years and laundering some 1.5 billion reais, or \$388 million, O Globo reported. Court documents say there is "robust evidence" against Speranzini, who is accused of participating in "corruption, fraudulent bidding, and forming a criminal organization," Reuters reported. The documents also say Speranzini "continued carrying out illicit

practices relative to government contracts" at GE. General Electric spokeswoman Jennifer Erickson told Reuters Monday that GE is "currently not aware of any improper conduct involving GE Healthcare and are committed to cooperating with authorities to the extent we are contacted." Reuters was unable to reach a lawyer for Speranzini for comment.

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four years, driven primarily by higher copper prices, increased investment and maintaining macroeconomic stability. Certainly the president's trip this week to Sun Valley, Idaho, to meet with technology giants Amazon and Google is designed to position Chile as a digital and IT hub for Latin America. Higher employment and income growth figures will afford President Piñera the political space to pass reforms that improve the social safety net without aggravating the fiscal situation or risk confronting popular unrest. A key factor to attracting further investment will be the Piñera government's efforts to improve the regulatory environment including ensuring advance notice and comment, consistent stakeholder inclusion in policy development, and streamlining regulations to balance consumer interests with the realities of global supply chains, especially relevant to Chile given its extensive network of trade agreements."

A Manuel Agosin, professor in the school of economics and business at the University of Chile: "It won't be difficult for Chile to double the dismal rate of growth recorded during the Bachelet years (about 1.7 percent per year). A good part of that poor performance was due to the collapse of copper prices and its effects on investment. But economic policies were clearly not friendly to private investment. The more business-friendly Piñera government has already effected a change in business expectations. Higher copper prices also could induce more investment in the sector. However, the new government has not announced any policies to lower the economy's dependence on copper. In the long run, diversification is crucial to sustained growth. As to health, pensions and education, policies are still in their design stage. The key problem with education is the low quality of primary and secondary education and the unavailability

of good preschool education for most of the population. We haven't yet heard anything in this area."

A Mark Manger, associate professor of political economy and global affairs at the Munk School of Global Affairs at the University of Toronto: "Sebastián Piñera has met his own benchmark: he campaigned on the promise of doubling the anemic economic growth during Bachelet's term (1.6 percent). The OECD projection for 2018 is 3.6 percent. Foreign investment has bounced back. At the same time, he has surprised most observers by breaking another election promise: reducing the corporate tax rate from 27 percent, to which Bachelet's administration had raised it, to 25 percent. Piñera says he'll keep the tax at its current rate and provide more funding for education, health and pension reforms. In health reforms, the goal is mainly to improve primary care and reduce wait times in the public system. Pensions are perhaps the most pressing issue, with Chile's population aging more rapidly than that of any other Latin American country. Creating a minimum pension is almost certainly a necessary step to deal with the problem. So far, the administration has not laid out clear plans, but one option would be to retain the system of private pension funds (AFPs), introduce more competition and supplement it with a tax-funded minimum pension that is clawed back once AFP-income passes a certain threshold. On education, he has announced a means-tested system of university student funding whereby student debt will only be repaid after graduation upon reaching an income threshold. Overall, this means that Piñera has tacked to the center and has adopted many of Bachelet's policy promises but done away with others, such as the centralization of pension management under the auspices of a government agency."

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