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FEATURED Q&A

Will AMLO's Labor Reforms Benefit Mexican Workers?



Mexican President-elect Andrés Manuel López Obrador, widely known as AMLO, plans to push labor reforms after taking office in December. // File Photo: López Obrador Campaign.

Q Mexican President-elect Andrés Manuel López Obrador will seek the passage of labor legislation to prohibit the current collective-bargaining system, in which so-called protection agreements may be signed between union leaders and employers without workers' consent or knowledge, according to incoming Labor Minister Luisa Alcalde. The plan aims to improve wages and labor conditions, Alcalde said, in order to comply with the recent U.S.-Mexico trade deal. The pact reportedly allows the United States to impose trade sanctions if Mexico fails to implement measures to raise the country's low wages. How will the proposed measures help or hurt Mexican workers? Will unions play a key role in the reform debate? Will the proposed labor reforms boost or hinder Mexico's economic productivity and competitiveness?

A Carlos Ferrán, head of the labor and employment practice group at Cuesta Campos and general coordinator of committees at Ilustre y Nacional Colegio de Abogados de México (INCAM): "López Obrador has proposed multiple measures to improve labor and employment conditions in Mexico, which he claims will be one of the central axes of his mandate. First, a raise in the minimum wage is expected. It is currently 59 cents an hour (compared to \$7.25 an hour in the United States). Moreover, he will develop the 'youth building the future' program, which reflects the importance his agenda gives young people employment-wise. It consists of awarding scholarships and skill training to trainees, who will be treated as employees, in coordination with the Ministry of Labor and Social Welfare. Perhaps one of the most

Continued on page 3

TODAY'S NEWS

ECONOMIC

China Funds Will Help Venezuela Boost Oil Output: Maduro

Venezuelan President Nicolás Maduro announced a new oil deal with China after returning from a trip to Beijing.

Page 2

BUSINESS

Didi Chuxing Starts Operations in Guadalajara

The Chinese ride-sharing company has partnered with 10,000 drivers in Mexico's second-largest city.

It already offers its service in Monterrey.

Page 2

POLITICAL

Bolsonaro's Lead Grows in Brazil Poll

Support for far-right presidential candidate Jair Bolsonaro, who remains hospitalized after a knife attack, rose two percentage points in a new poll. Workers' Party candidate Fernando Haddad was polling in second place after his support jumped.

Page 2



Bolsonaro // File Photo: Bolsonaro Campaign.

POLITICAL NEWS

Bolsonaro's Lead Grows in Brazil Poll, Haddad Follows

Support for far-right presidential candidate Jair Bolsonaro rose to 28 percent in a poll released Tuesday, O Estado de S.Paulo reported. The survey, by polling firm Ibope, showed that the former army captain's support rose two percentage points from the previous week's survey. The survey was released as Bolsonaro

“The Ibope poll shows a divided nation, and the center's melting.”
— Lucas de Aragão

continues to recover following a serious stabbing during a Sept. 6 campaign event. The latest poll also showed Workers' Party candidate Fernando Haddad moving into second place, with 19 percent. Haddad's support jumped 11 percentage points from the previous week's survey, which had been conducted before he officially replaced jailed former President Luiz Inácio Lula da Silva as the leftist party's candidate. If the election were to go to a second round, Bolsonaro and Haddad would be running neck-and-neck, with each having 40 percent support, the Ibope poll showed. If no candidate receives more than 50 percent of the vote in the first round on Oct. 7, a runoff would be scheduled for Oct. 28. “The Ibope poll shows a divided nation, and the center's melting,” Lucas de Aragão, a partner at Brasília-based consulting firm Arko Advice, told Bloomberg News. “It's a coin toss.” The poll released Tuesday also showed support for former lawmaker Ciro Gomes unchanged from the previous week at 11 percent, former São Paulo State Governor Geraldo Alckmin losing two percentage points to 7 percent and environmentalist Marina Silva

falling three points to 6 percent. In the survey, 2,506 people were polled, and there was a margin of error of two percentage points.

ECONOMIC NEWS

China Funds Will Help Venezuela Boost Oil Output: Maduro

Venezuelan President Nicolás Maduro said Tuesday that new investments from China will help the South American country double its oil production, the Associated Press reported. “We are taking the first steps into a new economic era,” Maduro said, upon returning from a recent trip to Beijing. “We are on track to have a new economy, and the agreements with China will strengthen it.” China has agreed to invest \$5 billion more in Venezuela, which is struggling with shortages of food, medicine and other basic foods. Economists at the International Monetary Fund forecast hyperinflation will reach one million percent by the end of the year. Under the deal with China, Venezuela will boost oil output and export one million barrels a day to China, Maduro said, the AP reported. The Venezuelan government also agreed to sell a 9.9 percent stake in the country's Sinovensa joint venture, bringing China's share to 49 percent, Reuters reported.

BUSINESS NEWS

Didi Chuxing Starts Operations in Guadalajara

Chinese ride-hailing provider Didi Chuxing launched its service Tuesday in Guadalajara, Mexico's second-largest city, and is setting its sights on also expanding to the country's capital, China's Xinhua state news agency reported. “The next stop will be Mexico City,” said Pablo Mondragón, Didi's head of opera-

NEWS BRIEFS

Fernández Denies Graft Charges in Letter to Judge

In an open letter to the federal judge investigating her, former Argentine President Cristina Fernández on Tuesday denied receiving bribes, Reuters reported. The former president's statement followed her indictment on graft charges a day earlier. Fernández is accused of accepting bribes from construction companies in exchange for government contracts during her presidency. “They can dig up all the Patagonia, but they will never find anything because I never received any illicit money,” the statement said, referencing allegations that the cash was kept hidden underground.

Brazil May Face Diesel Shortage: INTL FCStone

At the end of this year, Brazil may be facing a shortage of diesel fuel due to a government program that has mispriced subsidies and discouraged suppliers, INTL FCStone said Tuesday. The program also may force Brazilian state oil company Petrobras to sell diesel at a loss, the company said. A truckers' protest this year forced Brazil to lower diesel prices, but prices in a subsidy program were set too low to compensate most diesel importers, according to INTL FCStone, Reuters reported.

Colombian Central Bank Board Member Expects 3.5% Growth Next Year

Colombia's economy will grow 3.5 percent next year and expand 2.7 percent this year, Colombian central bank board member Carolina Soto told Reuters in an interview on Tuesday. Soto said mining, energy and construction could drive Colombia's economy next year, helping it reach full recovery. However, she said it will remain vulnerable to global trade pressures, particularly with the United States' revision of trade deals, which could in turn cause an export crash.

tions for Mexico City and nearby Toluca. In the Guadalajara area, residents spend as much as 40 percent of their income on transportation, said Mondragón. In the city, Didi has partnered with approximately 10,000 local drivers and is offering perks including 500-peso (\$27) coupons for gasoline. Didi expanded to Mexico in April, testing its service in Toluca. In August, the company expanded to Monterrey.

Incoming Mexican Official Vows Probe of Odebrecht Case

Mexico's incoming financial intelligence chief, Santiago Nieto, said he would re-examine the Odebrecht case, in which executives at the Brazilian construction firm have been accused of bribing Mexican officials in exchange for public works contracts, Reuters reported. "It's shameful that Mexico and Venezuela are the only countries in Latin America that haven't sanctioned anyone," he told the wire service.



Nieto // Photo: Mexican Government.

Odebrecht executives at the center of the investigation into Brazil's massive Lava Jato, or Car Wash, corruption scandal have admitted to paying bribes in Mexico. Two officials of the incoming administration of President-elect Andrés Manuel López Obrador told Reuters last month that the new government may ban Odebrecht from participating in public works projects. López Obrador tapped Nieto as the head of the Finance Ministry's financial intelligence unit earlier this month, El Universal reported. Following the announcement, Nieto vowed to send a strong message that corruption will not be tolerated after the new government takes office on Dec. 1. "And not just from organized

FEATURED Q&A / Continued from page 1

relevant measures as far as impact goes is the modification to the collective labor relationships. The 'protective' unions and agreements—which only favor the employer's best interests—will now disappear, resulting in a more active involvement from unions in the everyday aspect of a company and its employees. The incoming administration also proposed a more efficient inspection system (general employment conditions, training, hygiene, security and health) under the Ministry of Labor and Social Welfare.

“Perhaps one of the most relevant measures as far as impact goes is the modification to the collective labor relationships.”

— Carlos Ferrán

To this effect, authorities will increase the number of inspectors to a ratio of one in 10,000 employees. Mexican workers will surely benefit from the proposed measures, given that the overall intention is to improve the general employment conditions in Mexico, setting minimum standards as intended in the current international trade negotiations. Unions are expected to play an enormous role in the reform debate, since they represent an important political force, and are expected to protect the basic rights of employees. Such a reform requires unions to have real representation over workers. In terms of economic productivity and competitiveness, perhaps the more relevant reform is the 2012 constitutional reform in which the catalogue of employment

crime, but also from businesses and political groups," he said, the newspaper reported. Nieto previously served as lead prosecutor for electoral crimes. He was dismissed last October on grounds that he broke a code of conduct

agreements and relationships was extended, regulating outsourcing schemes and therefore incentivizing foreign investment in Mexico. Nevertheless, it is a fact that profit sharing—which obliges employers in Mexico to share 10 percent of the company's pre-tax profit with employees—does not consider productivity as a component, and it is not expected to change any time soon."

A Kimberly Elliott, author, visiting fellow at the Center for Global Development and visiting scholar at the George Washington

University Institute for International Economic Policy: "If the reports are correct that the new labor provisions negotiated between the United States and Mexico will crack down on company unions and protection agreements, and make the labor provisions enforceable, it could be a major advance for Mexican workers. Protection agreements, in which faux unions negotiate agreements with company management that do not reflect workers' preferences or interests, have long been an obstacle to genuine collective bargaining in Mexico. For the new provisions to have real impact, however, Mexican workers need to be empowered to represent themselves and have the capacity to do so effectively. If it is also true that the new labor provisions will be fully enforceable, that is another major advance over the complicated and unwieldy mechanism included in the NAFTA side agreement on labor. Under that agreement, union rights were subject only to consultation and were excluded from the full force of even the modest enforcement measures provided. Workers should have recourse to protect their rights under trade agreements, just as investors do. Finally, there is one innovative element

Continued on page 4

by giving an interview on an investigation into Odebrecht's alleged bribery scheme, Reuters reported. In the past, Nieto has said he was pressured to leave by government officials and has called his firing illegal.

FEATURED Q&A / Continued from page 3

in the original NAFTA labor agreement that negotiators should retain in any updated version—protection for migrant worker rights. Mexico used this provision relatively effectively to improve conditions for at least some Mexican workers in the United States. Most U.S. trade agreements do not contain such provisions and it is a useful model to maintain and replicate where possible.”

A **Arturo Méndez Preciado,**
director of the Méndez Preciado
law firm and former president of
Mexico's labor law bar associa-

tion: “The election of leaders who represent the interests of workers and the elimination of protection agreements will benefit workers, as both the labor reform and NAFTA contend. Once the constitutional reform is applied, there will be free and secret elections for leaders that truly represent and defend union members, and not political and economic interests. In addition to mandatory participation of workers in the negotiation of collective contracts, this will result in authentic wage and contract agreements that will translate into better employment benefits. The constitutional reform is a real-

ity—the new government has expressed its support. López Obrador has absolute control in Congress and will without a problem be able to pass the reform, even if there is no prior agreement with unions. For this reason, unions won't be key in the debate to pass labor legislation. The reform's essence is quite clear—there is no other option. But, will better labor conditions by themselves boost productivity and competitiveness? Well, theory says: better salary, higher productivity. However, for this to occur, the reform must also guarantee effective training for workers. With respect to competitiveness, better worker conditions don't necessarily help it. López Obrador must collaborate and promote investment, generate fiscal stimulus—free zones, decreasing the VAT and the ISR tax—as well as generate confidence in investors and fighting corruption and impunity. Syndical freedom, transparency, collective negotiations, better salaries, training and higher productivity, will then bring competitiveness.”

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Smart Cities in Latin America and the Caribbean

An Inter-American Dialogue Discussion with
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