LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Friday, December 4, 2015

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Genaro Arriagada
Nonresident Senior Fellow,
Inter-American Dialogue

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter
Former Partner,
E.M. Warburg Pincus

Dirk Donath
Senior Partner,
Catterton Aimara

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President, Boeing Latin America

Jon Huenemann
Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones
Co-chair, Manatt Jones
Global Strategies LLC

Craig A. Kelly
Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto
Director, U.S. Education
Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
President,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty
Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo
Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

THEDIALOGUE

FEATURED Q&A

What Would Be the Impact of Chile's Labor Reforms?

Chilean President Michelle Bachelet has pushed the reforms, saying they would help reduce the country's level of inequality. // File Photo: Chilean Government.

Q Chilean lawmakers are considering proposals by President Michelle Bachelet to overhaul the country's labor laws, including changes that would give workers more access to collective bargaining and limit companies' use of temporary workers during strikes. Bachelet's government has said the reforms would reduce income inequality in Chile, but opponents of the changes say they would be bad for business and would not reduce unemployment. What would be the economic consequences of the labor reforms if they win approval and are implemented? Will the changes hurt Chile's competitiveness, as critics have argued? What other labor reforms could most help to reduce income inequality in Chile?

A Francisco Díaz Verdugo, Chile's undersecretary of labor: "Improving social dialogue and industrial relations in Chile can be important elements of a more inclusive and sustainable growth. Although the current labor code in Chile recognizes the rights of workers to organize, a number of restrictions were placed on organizing when these provisions were enacted in 1979. Procedural rules severely limited workers' right to strike, and employers were granted the right to lock out workers. The consequence is clear: trade union density in Chile is 14 percent, whereas the coverage of collective bargaining processes is below 10 percent (both figures are among the lowest in the OECD). The labor reform aims at expanding the coverage and scope of collective bargaining by empowering unions and by bringing collective bargaining processes closer to those of other OECD countries. The reform will not affect the country's competitiveness, and it may enhance it via some provisions such as 'adaptability pacts,' in which parties will be able

Continued on page 3

TODAY'S NEWS

POLITICAL

Venezuelans Head to Polls Sunday

Venezuelans cast ballots Sunday for members of the National Assembly in an election that polls are predicting will result in a win for the opposition.

Page 2

ECONOMIC

Bolivia to Invest $6.3 Bn in Power Production

Bolivian Vice President Álvaro García Linera said during an announcement at the Oruro Technical University that the government wants to increase electricity production, with a plan for eventually exporting it.

Page 2

POLITICAL

Ecuador Lifts Presidential Term Limits

In an overwhelming vote, the National Assembly approved a measure to eliminate term limits for the president and other officials. The change takes effect in 2021, four years after President Rafael Correa's current term ends.

Page 2

Correa // File Photo: Ecuadorean Government.

COPYRIGHT © 2015, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Ecuador Lifts Presidential Term Limits

Ecuadorean lawmakers on Thursday approved a constitutional amendment to do away with term limits for the president and other officials, BBC News reported. The National Assembly approved the amendment on a vote of 100-8 with one abstention. The change takes effect in 2021. President Rafael Correa's current term ends in 2017, and he has said that he does not plan to try to run again at that time. Still, Correa's opponents see the move as an attempt by him to increase his power. After the vote, protesters clashed with police officers outside the National Assembly building. "We will continue governing for the common good of the country, with full democratic legitimacy," Correa said in a tweet from Paris where he is attending the COP21 World Climate Change Conference. The elimination of term limits was part of a package of 16 constitutional amendments that lawmakers approved, The Guardian reported. The changes also classify media outlets as a "public service," which Cesar Ricaurte, director of press freedom group Fundamedios, told the newspaper would give the government "disproportionate control" over "any aspect of the media." Another amendment approved by the National Assembly, which is dominated by Correa's Alianza Paiz party, gives the military the authority to control domestic security without the government having to first declare a state of emergency.

Venezuelans to Vote Sunday as Polls Favor Opposition

Venezuelans head to the polls Sunday to choose members of the 167-seat National Assembly in an election that most surveys say will result in the opposition taking control of the legislative body. The country has been beset by an economic crisis including estimated triple-digit inflation and shortages of basic goods as well as high rates of crime and concerns about corruption, all leading to polls that show the opposition with a double-digit advantage, the Miami Herald reported. Some polls suggest that the opposition could win three-fifths of the seats, or 101, which would allow it to call no-confidence votes against the vice president and cabinet members and also deny President Nicolás Maduro from

Maduro // File Photo: Venezuelan Government.

using some executive powers. However, other analysts have predicted tighter results. If the opposition wins control of the National Assembly, Maduro said earlier this week that his government would refuse to share power and would go into "rebellion," The Wall Street Journal reported. "Imagine if they dominated the National Assembly," Maduro said this week in a televised address. "I wouldn't allow it, I swear, I wouldn't let my hands be tied by anyone. I'd take to the street with the people."

ECONOMIC NEWS

Bolivia to Spend $6.3 Billion to Boost Power Output

Bolivia's government is planning to invest approximately $6.3 billion over the next five years in order to increase its production of electricity, Vice President Álvaro García Linera announced Thursday, EFE reported. The country currently has an installed power capacity of 1,800 megawatts and wants to increase it to 4,800, he said.

NEWS BRIEFS

U.S. Seeks Extradition of Former Honduran President in FIFA Case

The United States has made an extradition request to Honduras for the country's former president and former head of its soccer federation, Rafael Callejas, who allegedly has links to the FIFA corruption scandal, the Honduran government said Thursday, Reuters reported. The United States named Callejas in an indictment over alleged multi-million dollar bribery schemes for marketing rights, the Honduran government said. In the FIFA case, U.S. authorities have also indicted more than a dozen other officials from various countries, hours after the arrest of two FIFA vice presidents in Zurich on Thursday, BBC News reported.

Brazilian Supreme Court Rejects Appeals to Halt Impeachment Process

Brazil's Supreme Court has rejected appeals from President Dilma Rousseff's allies to halt impeachment proceedings against her, Reuters reported today. The leader of Brazil's Chamber of Deputies, Eduardo Cunha, announced Wednesday that he would launch the impeachment process, the Associated Press reported. The opposition claims Rousseff broke budget laws in order to safeguard economic stimulus in 2014, an election year, in order to boost her chances of getting re-elected, Reuters reported. Rousseff denies wrongdoing.

Pemex Opens First Gas Station Outside Mexico

Mexican state oil company Pemex has opened its first gas station outside Mexico with a station just south of downtown Houston, Reuters reported Thursday. Four more Pemex gas stations will eventually open in the Texas city, which the company said it chose because of its competitive gas station market and large Hispanic population.

COPYRIGHT © 2015, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 1

to negotiate special working conditions at the company level, in order to address productive needs. Bachelet's government is also supporting youth and female employability, with specific subsidies that attempt to lower employment costs for youth and women in the formal sector. Along the same line, the government is implementing MásCapaz, an ambitious worker training program to bring youth and women closer to the labor market, which during 2015, the first year of full scale implementation, has attracted 73,000 people (82 percent of whom are women) to training courses of 200-300 hours. Half of the participants are younger than 30, and three-quarters of them are among the poorest 20 percent."

Kathleen C. Barclay, chairman of The Chilean-American Chamber of Commerce in Chile: "The future will belong to those who are able to retain the best talent. An appropriate balance between workers and corporate rights is fundamental to retaining talent and to maximizing job creation, which is the best mechanism for creating opportunities. The draft legislation currently being contemplated in Chile moves the balance heavily toward unions such that there is a serious risk of interruption in key services and/or industries. It is important that further thought be given to the issue of replacement of workers in strike situations so as to limit the potential negative impact on employment, productivity, investment and the overall competitiveness of Chile. This issue is particularly important for the growth and development of small and medium-sized companies—the source of the majority of future employment growth for the country. We also believe that strengthened unions require a high standard of transparency and accountability by union leaders to their members. In this regard, it is important that new legislation provide for public information regarding union activities and financing to ensure that the union leadership is responsive to its membership base, thereby benefiting workers. Additional efforts should be made to increase labor flexibility in Chile to incorporate more young people and women into the workforce. A flexible labor force is a cornerstone of the knowledge/service economy where Chile has potential for significant growth in the future."

Sergio Daga, researcher at the Navarra Center for International Development at the University of Navarra: "Last year, Chile endured one of the most dramatic economic slowdowns in recent memory. It experienced the destruction of private-sector jobs; a loss of higher-wage blue-collar jobs; a deterioration in the upward mobility of the jobs still held by workers; and a sharp contraction in the growth of real wages. Under these circumstances, any proposal to reform labor laws must be accompanied by a program to stimulate private-sector job creation, create conditions for sustainable wage growth and improve job quality. Unfortunately, the reforms proposed by the Bachelet government will achieve none of these goals. The Socialist Party's proposal focuses on giving more power to its labor union patrons (while simultaneously weakening individual workers' rights) and on imposing restrictions on private firms' ability to replace workers during strikes. As former Chilean Finance Minister Felipe Larraín told a Senate committee in August, the forced unionization that would result could cause a loss of 44,000 to 65,000 salaried positions and could also reduce tax revenue by as much as $1.7 billion. These estimated consequences are the opposite of the rosy outcomes promised by the Socialists. Instead of reducing income inequality, the Bachelet labor code overhaul would actually increase it while also reducing Chilean firms' productivity. The reforms would harm production capacity and the quality and price of goods and services produced, thereby reducing demand. If enacted, the reforms would come to be called 'Bachelet's Law of Unintended Consequences.' And those sorts of laws are always bad."

LATIN AMERICA ADVISOR
is published every business day by the Inter-American Dialogue, Copyright © 2015

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

THEDIALOGUE

Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Kevin Casas-Zamora, Director, Peter D. Bell Rule of Law Program
Maria Darie, Director, Finance & Administration
Ramón Espinasa, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Alejandro Ganimian, Nonresident Fellow
Peter Hakim, President Emeritus
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Senior Fellow
Jeffrey Puryear, Senior Fellow
Lisa Viscidi, Director, Energy Program

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:

1211 Connecticut Avenue NW, Suite 510
Washington, DC 20036

Phone: 202-822-9002
Fax: 202-822-9553

www.thedialogue.org

ISSN 2163-7962

Subscription Inquiries are welcomed at freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.