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THEDIALOGUE

FEATURED Q&A

Has the Honeymoon Come to an End for Argentina's Macri?

Congress' approval last month of a controversial "anti-layoff" bill marked the first major legislative defeat for Argentine President Mauricio Macri, who took office in December. // File Photo: Argentine Government.

Q Argentine President Mauricio Macri on May 20 vetoed controversial "anti-layoff" legislation that Congress had approved the day before. The measure would have made it more costly for employers to dismiss workers. Macri has said the legislation would scare away investors and cost the country jobs. What does the opposition-controlled Congress' approval of the bill, seen as Macri's first major legislative defeat, mean for the rest of the president's agenda? Will Macri begin to find it harder to win approval for his legislation in Congress? What are the next big initiatives likely to cause a rift between Macri and lawmakers?

A Claudio Loser, visiting senior fellow at the Inter-American Dialogue, president of Centennial Group Latin America and former head of the Western Hemisphere Department of the International Monetary Fund: "In the cynical world of politics, the so-called rational Peronists decided to support the anti-layoff legislation to show their support for the working class, knowing full well that President Macri had enough support in Congress to veto the proposed law. In that sense, both Macri and the non-Kirchnerista Peronists can see this as a success, even though most politicians are aware that the proposed legislation would have been seriously detrimental to economic recovery and to new employment. The proposed legislation, while protecting existing jobs in the short run, would have reduced incentives to hire new employees in the formal market, thus increasing the attractiveness of informality. Clearly, Macri has lost stature among his critics, but has gained it among his supporters, who see him as willing to fight for his

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Mexico Creates Economic Zones to Boost Investment

President Enrique Peña Nieto signed the legislation that will offer tax breaks and other benefits in order to attract investment to underdeveloped areas of Mexico.

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Bradesco CEO Accused in Bribery Case

Brazilian federal police have accused Bradesco CEO Luiz Carlos Trabuco Cappi of involvement in a scheme to bribe tax officials.

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OAS' Almagro Seeks Emergency Meeting on Venezuela

Organization of American States Secretary General Luis Almagro invoked the organization's Democratic Charter, calling an emergency meeting on what he said was a breakdown of democracy in Venezuela.

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Almagro // File Photo: Organization of American States.

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POLITICAL NEWS

OAS Rebukes Venezuela, Seeks Emergency Meeting

Organization of American States Secretary General Luis Almagro announced Tuesday that he had taken the rare move of invoking the organization's Democratic Charter, calling for an emergency meeting of the body to discuss whether Venezuela's government has violated democratic principles. In calling for the emergency meeting, Almagro late Monday submitted to the organization's Permanent Council a 133-page report on alleged violations of human rights and conflicts of power in Venezuela. "The situation in the country with the world's biggest oil reserves is critical from the economic, social and humanitarian point of view," said Almagro, The Wall Street Journal reported. "In Venezuela, the politics have lost their purpose. They have stopped defending the long-term collective well-being for the short-term well-being of the few." In his report, Almagro accused Venezuelan President Nicolás Maduro of hindering democracy by thwarting the opposition-controlled National Assembly and stacking the Supreme Court with loyalists, Reuters reported. A National Assembly delegation met in recent weeks with Almagro to ask him to invoke the Democratic Charter and call an emergency meeting, BBC News reported. The meeting is expected to be held sometime between June 10-20 and is likely to coincide with the OAS' June 13-15 General Assembly meeting in the Dominican Republic, BBC News reported. If two-thirds of the OAS' member states agree that Venezuela's government has undermined democracy, the country will be suspended from the organization. In a speech to supporters on Tuesday, Maduro angrily lashed out at Almagro, whom he has dismissed as a pawn of the United States. "I suggest you put this Democratic Charter in a very thin tube and find a better use for it, Mr. Almagro," said Maduro, Reuters reported. "You can shove that Democratic Charter wherever it fits." Maduro and Almagro had a war of words last month when Maduro accused Almagro, a former Uruguayan foreign minister, of being a traitor and a CIA agent. The OAS chief said he was not working for the CIA and said it was Maduro who had betrayed his people. The opposition in Venezuela has launched an effort to place a referendum on the ballot to recall Maduro, and Almagro said Maduro must stop trying to block the vote from happening. " To deny the people that vote, to deny them the possibility of deciding, would make you just any other petty dictator, like so many this hemisphere has had," Almagro said in a posting on Twitter. The OAS' Democratic Charter was adopted in 2001 and can be invoked when there is an interruption of the constitutional order in a country, when a country's democratic order is impaired or when a democratic government is overthrown. It was invoked in 2009 after Honduran President Manuel Zelaya was ousted, and member states then voted to suspend the country from the OAS. Honduras was reinstated in 2011.

> **"In Venezuela, the politics have lost their purpose. They have stopped defending the long-term collective well-being for the short-term well-being of the few."**
>
> **— Luis Almagro**

ECONOMIC NEWS

Mexico Creates Economic Zones to Boost Investment

Mexican President Enrique Peña Nieto on Tuesday signed a law to create special economic zones that will offer tax breaks, along with trade and economic benefits, in order to attract

NEWS BRIEFS

Petrobras Names Parente Chief Executive

The board of Brazilian state-run oil company Petrobras named Pedro Parente as the company's new CEO, The Wall Street Journal reported Tuesday. Parente, who replaces Aldemir Bendine in the post, was first announced earlier in May by Brazil's acting president, Michel Temer, as part of a shuffling of top government jobs. Parente was formerly the top executive at the Brazilian unit of U.S. agribusiness company Bunge and is currently the chairman of stock market operator BM&F Bovespa.

U.S. Agriculture Coalition Signs Agreement With Cuba's GEA

The U.S. Agriculture Coalition for Cuba, which works to normalize trade relations between the two countries, said Tuesday that it had signed a memorandum of understanding with Cuba's Grupo Empresial Agricola to promote cooperation and dialogue between the U.S. and Cuban agricultural sectors. The agreement aims for cooperation in areas including agriculture financing and credit, two-way trade and investment, the coalition said.

Colombian Gov't, FARC Enter 'Permanent Session'

The Colombian government and the FARC rebel group on Tuesday entered into what they called a permanent session in order to reach an agreement in the peace negotiations process as soon as possible, according to Colombia Reports. Citing the recent "positive dynamics" of the talks, negotiators proposed concentrating the efforts to conclude more than three years of peace negotiations meant to end more than 50 years of armed conflict. The delegations spent the last four days discussing issues including the bilateral ceasefire, the FARC's disarmament and ratification of the agreement by Colombian voters.

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investment into underdeveloped regions of the country, The Wall Street Journal reported. Peña Nieto said the government would design the regulations within the next month and would decree the special economic zones by the end of the year. The special economic zones will include tax incentives for companies investing within the designated areas, trade and customs benefits and streamlined regulatory processes. The zones will also receive increased

Peña Nieto signed the law establishing the new economic zones on Tuesday. // Photo: Mexican Government.

investment in infrastructure in sectors such as energy and communications. Peña Nieto said the initiatives would be comparable to tax benefits within special economic zones in other parts of the world. The first three zones will be Lázaro Cárdenas, Puerto Chiapas in Mexico's Chiapas state and the Isthmus of Tehuantepec. The decree for another zone in the oil-belt states of Tabasco and Campeche, which have been particularly affected by the downturn in oil prices, is planned for 2017. Peña Nieto also said that an anchor tenant, such as an industrial company that would attract suppliers to the region, should be in place for each zone by 2018 at the latest.

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ideas. What is important is that this was a veto on legislation generated by the opposition, and not a rejection of a bill that he submitted. In the future, Macri needs to walk a narrow path in pushing new initiatives. He already has taken important initiatives to help retirees who were left behind during the previous administration. He is in a strong position to push non-labor related legislation, as the provincial governors are willing to cooperate, to the extent that their local finances are strongly dependent on transfers from the federal government. The honeymoon is clearly over, but the marriage of convenience remains."

Santos Goñi, retired Argentine career ambassador: "In a country where employment in the informal sector hovers around 40 percent, the recently vetoed employment bill was generally attributed to political posturing and fell squarely into what President Macri considered a populist attempt to legislate wishful thinking. All involved recognized that it would have little impact on employment, but adversely affect small- and medium-sized businesses' bottom line. Corporations had already arranged their payrolls to their waning industrial exports to Brazil. What finally transpired was the first attempt by Peronists, Kirchnerists and the unions to really unite in opposition to the Macri administration's policies. In working the announcement of the veto into the bill's negotiation, its party and its allies

> **"All involved recognized that it would have little impact on employment...."**
>
> **— Santos Goñi**

demonstrated that, even though it does not hold an absolute majority of seats, handling the legislative agenda is not beyond its reach. Further, in order to pass the bill with a semblance of unity, the populist opposition had to accept adjustments to it required by the more Peronist side of the lower house. The employment bill itself and its veto have allowed President Macri to show he will keep steering the course in the direction of his electoral agenda while holding true to his own view on how to renew Argentina. For the opposition, though, consensual politics seem to be less attainable for now. Some of its members appear to be more comfortable with continuing to push the populist agenda than with attempting to appeal to today's changing electorate."

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BUSINESS NEWS

Bradesco's Chief Executive Accused in Bribery Case

Brazil's federal police force has accused Banco Bradesco Chief Executive Officer Luiz Carlos Trabuco Cappi and nine others of corruption-related charges in connection with a bribery investigation, The Wall Street Journal reported Tuesday, citing an unnamed source familiar with the matter. The source did not specify the charge against Trabuco Cappi, one of the country's most prominent bankers, but said the investigation involved alleged bribery of tax officials and that the accusations against the 10 people targeted in the investigation include conspiracy, money laundering, influence trafficking and corruption. In a statement, the bank denied wrongdoing and said it would present its case through the legal system. "Bradesco will present its arguments in court through its body of lawyers," the bank said, The Wall Street Journal reported. "Bradesco reiterates its high standards of ethical conduct and re-affirms its confidence in the Justice system." Trabuco Cappi is accused in connection with the "Operation Zealots" investigation in which tax officials were allegedly bribed in order to rule in favor of businesses disputing their tax bills. Police investigators have questioned several powerful executives and intermediaries in connection with the probe. In March, prosecutors charged billionaire Joseph Safra of Banco Safra in the investigation. Safra and the bank have denied wrongdoing. Police also have filed a complaint in the case against Gerdau CEO Andre Gerdau who also denied wrongdoing.

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Graciela Römer, director of Graciela Römer & Asociados in Buenos Aires: "President Macri's recent setback in Congress, in which he failed to avoid the approval of the anti-layoff legislation and then vetoed it immediately after its legislative approval, as he said he would, seems not to have affected his public image. In his tough stance, the president's arguments that the measure would be ineffective in boosting employment and also politically inadequate in terms of the necessary conditions to generate investment and also stimulate small- and medium-sized enterprises (the country's largest employment generators) resonated with an important part of the population. Despite public opinion that perceives unemployment as one of the main problems facing the country, after inflation and just ahead of corruption, the public in general was not amenable to political and union leaders' arguments about the benefits of the law on unemployment, those arguments generated wide suspicions about political opportunism in Congress and in the unions, and Macri's veto provided him a marginal political benefit. However, a weak link of Macri's government remains—the social cost of the economic measures of his first six months in office. Although the initiatives and achievements he has made at the macroeconomic level have been positive, the negative effects of inflation and economic stagnation on the middle class and lower middle class are increasing social tensions, putting at risk Macri's favorable image. Therefore, the Macri administration should quickly send Congress a package including three measures that would have an important impact in the short term: pay off historical debts with retirees and provincial governments, fight money laundering in order to allow financing, and improve transparency and institutional predictability."

> **"A weak link of Macri's government remains—the social cost of the economic measures of his first six months in office."**
>
> **—Graciela Römer**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at **gkuleta@thedialogue.org**.

Advisor Video

Venezuela Today

An Inter-American Dialogue conversation with Bernardo Álvarez, Venezuela's Vice Minister for North America at the Ministry of Foreign Affairs and Ambassador to the Organization of American States

View the webcast of our May 26 discussion

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