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FEATURED Q&A

Will Mexico's Labor Unions Exert New Power Under AMLO?



President Andrés Manuel López Obrador has made it clear that he will back pro-labor activities to strengthen labor's bargaining position in the political arena, Richard Sinkin writes below. // File Photo: Mexican Government.

Q The Mexican Business Council last month told the government of President Andrés Manuel López Obrador that worker strikes at factories in the northern state of Tamaulipas and blockades of railways by a teachers' union had cost more than \$1 billion dollars in losses and could cause businesses to close. What are the reasons behind the workers' strikes, and will there be more labor strife in the period ahead? How powerful are unions in Mexico's manufacturing sector? Will proposed changes in the United States-Mexico-Canada Agreement alter the business-labor dynamics in the country?

A Carlos H. Aceves del Olmo, PRI senator and secretary general of the Confederation of Mexican Workers (CTM) union: "The real reasons are political. The president decided to increase the minimum wage 100 percent in border states. Of course, as a worker representative, I will never oppose improvements to wages. However, the workers' reactions should have been expected, and norms should have been established for such increases. In addition to this, there are new labor unions that are seeking to destabilize companies to gain ground on labor issues. Labor union autonomy exists; therefore, each labor organization is in charge of annual contractual reviews with companies. In the Confederation of Mexican Workers, or CTM, we work to ensure labor peace. It's not our style to call for strikes, because we believe that through dialogue you can reach agreements that benefit workers. As a senator, CTM's secretary general and president of 'Congreso del Trabajo,' I will be following the implementation of the new trade deal. It shouldn't affect the dynamics. Through Mexico's tripartism, we have been

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TODAY'S NEWS

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Maduro Sets Stage for Rival Rallies

Venezuelan President Nicolás Maduro called on his supporters to take to the streets Saturday in marches to rival those planned by the opposition.

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ECONOMIC

Mexican Business Sentiment Softens

Moody's warned on Tuesday that violent crime was hurting businesses in Mexico and weakening the economic outlook. Although consumer confidence has risen sharply, business sentiment has remained relatively weak.

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POLITICAL

Negotiators Agree on Roadmap for Nicaragua Talks

The Vatican's ambassador to Nicaragua, Waldemar Sommertag, read a joint statement announcing that a framework for talks had been established after five days of meetings between President Daniel Ortega's government and a coalition of groups demanding the release of political prisoners.

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Sommertag // Photo: Voice of America.

POLITICAL NEWS

Venezuela's Maduro Sets Stage for Rival Rallies Saturday

Venezuelan President Nicolás Maduro on Tuesday called on his supporters to take to the streets Saturday in marches to rival those planned by the opposition, the Associated Press reported. Maduro's comments were the first since Juan Guaidó, the nation's internationally recognized interim president, returned to the country on Monday after a 10-day trip



Bolton // File Photo: Gage Skidmore.

abroad meeting with regional allies last week, despite threats he would be arrested for defying a court order. Addressing military personnel at an event, Maduro said "Let the crazy minority continue with their bitterness, we'll defeat them." Backed by China and Russia, Maduro claims he is the only legitimate president and refuses to resign. In talks with public sector unions on Tuesday, Guaidó vowed to stage strikes to help bring down the government, BBC News reported. "They thought the pressure had already maxed out... They better know that the pressure has barely begun," he said. Meanwhile, the United States is considering imposing new sanctions on Venezuela to increase pressure on Maduro's government to give up power, U.S. National Security Advisor John Bolton said Tuesday. "We're looking at new sanctions, new measures to tighten our grip on Maduro's financial wherewithal to deny his regime the money that they need to stay in power," Bolton told Fox News. "I think Guaidó's return was very significant. There was no effort by the military to arrest him, I think in large

part because Maduro and his gang feel that if they tried to arrest him the military might've disobeyed the order and that really would've been a crisis for Maduro," he added.

Negotiators Agree on Roadmap for Nicaragua Talks

After five days of meetings, negotiators in Nicaragua late Tuesday announced they had agreed on a basic roadmap for talks, La Prensa reported. The Civic Alliance for Justice and Democracy and representatives of the government of President Daniel Ortega approved the plan, which church leaders will monitor. The Vatican's ambassador, Waldemar Sommertag, read a joint statement announcing a framework. Under the 16-point roadmap, the talks will be closed to the public and held daily through March 28. The Civic Alliance, representing the opposition, has demanded the release of political prisoners, restoration of the freedom of expression and electoral reform. Violence broke out last year nationwide over public frustration with Ortega's government, leading to more than 300 deaths and hundreds of people imprisoned, as well as economic damage that pushed the country into recession. [Editor's note: See related [Q&A](#) in the Feb. 28 issue of the Advisor.]

ECONOMIC NEWS

Mexican Business Sentiment Weakens

Moody's warned on Tuesday that violent crime was hurting businesses in Mexico and weakening the economic outlook, Agence France-Presse reported. "Increasing insecurity, robbery and travel warnings hurt Mexican companies' top lines and profitability, and will particularly weaken revenue and margins over the next 12-18 months for the oil industry and hotels and resorts," said Moody's vice president Alonso Sánchez in a statement. Standard & Poor's

NEWS BRIEFS

Paraguay Police Kill Leader of Brazilian Crime Organization

Paraguay's Interior Ministry confirmed Tuesday that police officers have killed Reinaldo de Araújo, one of the leaders of the Brazil-based criminal group First Commando Capital (PCC), EFE reported. He had escaped in December from a prison in Asunción, along with Thiago Ximenes, who managed to elude police in the department of Canindeyú on Paraguay's border with Brazil. Police said Araújo died in an "armed confrontation" with agents on Monday in the vicinity of Villa Ygatymí. The search remains underway for Ximenes, also known as Matrix.

Investment in Peruvian Mining Climbs Back

Mining investment in Peru will reach \$5.7 billion this year and \$6.1 billion in 2020, Julio Velarde, the country's central bank chief said Tuesday, Andina reported. Mining investment in the Andean nation peaked at around \$9 billion in 2013 before dropping sharply to \$3.3 billion in 2016, making a slow recovery since then. Velarde also noted mining investment now exceeds 12 percent of the country's total GDP.

Russia's Inter Rao Seeks \$86 Million From Ecuador in Arbitration Dispute

Russian engineering company Inter Rao is seeking \$86 million from Ecuador's government in an arbitration dispute, El Comercio reported Tuesday. The case stems from the company's work as a contractor of the Toachi-Pilatón hydroelectric power project for state utility Celec. The firm was responsible for installing the electromechanical equipment such as turbines, generators, gates and valves, but the government of then-President Rafael Correa unilaterally terminated the work in 2017, due to alleged breaches of contract.

recently downgraded the country's outlook to "negative," along with that of indebted state oil company Pemex, while Fitch downgraded Pemex by two notches in January, triggering a drop in the peso currency. Business sentiment has been more subdued than consumer confidence as producers have been apprehensive over policy direction under left-leaning President Andrés Manuel López Obrador, Goldman Sachs told clients in a research note Tuesday. Since López Obrador's election last July, consumer confidence strengthened by a large 34 percent, while business confidence in the manufacturing sector rose only 5.6 percent.

BUSINESS NEWS

Ecopetrol Plans to Spend \$500 Million on Unconventionals

Colombian state-run oil company Ecopetrol plans to spend \$500 million in exploring unconventional deposits of oil and gas over the next three years, its chief executive said on Tuesday. Felipe Bayón told Reuters in an interview that the proposed \$500 million is part of the \$12 billion to \$15 billion allocated by Ecopetrol to invest between 2019 and 2021. The **debate** over fracking has been contentious and polarizing, as activist groups in the South American country campaigned heavily against the drilling practice due to concerns over the environment. In related news, Bayón also said Tuesday he does not see the need for the government to sell another stake in Ecopetrol, an idea the finance minister supports in order to find new ways of addressing the budget deficit, Bloomberg News reported. The ministry is weighing the sale of an 8.5 percent stake in Ecopetrol, worth about \$3.6 billion. Bayón said such a sale could take as long as two years to complete, and in the interim the company is generating value for the government. "I don't think there's a need right now to do the sale," Bayón said in an interview in New York. [Editor's note: See related **Q&A** in the Feb. 11 issue of the Advisor.]

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able to agree—among workers and businesses—on maintaining labor peace."

A **Richard Sinkin, partner at InterAmerican Group in San Diego, Calif.:** "It should come as no surprise to anyone involved in Mexican politics and business that there has been an increase in union organization and strikes. New President Andrés Manuel López Obrador comes out of a strong leftist, pro-labor wing of Mexican politics. He has made it clear both during the campaign and since

“**AMLO's pro-labor policies probably won't work.**"

— Richard Sinkin

taking office in December that he will back pro-labor activities to strengthen labor's bargaining position in the political arena. One clear example is the administration's acceptance in the revised NAFTA agreement that 40 percent of Mexican auto manufacturing has to be done with workers making at least \$16 per hour, five times more than what is being paid per hour now but still significantly below auto industry wages in Canada and the United States. Unions' bargaining position has historically been very weak because both the long-ruling PRI as well as the more conservative PAN have seen unions as essential vote delivery systems rather than true unions fighting for better pay and working conditions. The unions are particularly weak in the private sector, such as the maquiladoras that typically have 'company' unions (not national ones), and somewhat stronger in state-owned enterprises, such as Pemex, where the unions are notoriously corrupt. And for decades, official Mexican wage policy has held down the minimum wage, a multiple of which is used to calculate hourly wages in Mexican factories. AMLO hopes

to rebalance the political power equation by strengthening unions. His pro-labor policies probably won't work given how weak the unions are now."

A **Brian Finnegan, global worker rights coordinator at the international department of the AFL-CIO, and Gladys Cisneros, country program director of Solidarity Center in Mexico:** "The strikes in Matamoros illustrate the pent-up frustration over low wages, which have been historically and systematically suppressed as a matter of government policy and anti-democratic union practice in Mexico. Maquiladora workers in Matamoros undertook strikes to demand wage increases and a bonus enshrined in their collective bargaining agreements, related to new expectations with the new government's shifting wage policy, and their victories inspired workers in other low-wage sectors to make similar demands. These are important events that demonstrate not only the deep dissatisfaction with their dramatically low wages, but also a clear need for workers to express collectively their accumulated frustration and demand real change

“**It shows what happens when workers are shut out of the decisions.**"

— Brian Finnegan and Gladys Cisneros

on the ground. It shows what happens when workers are shut out of the decisions that govern their working conditions and their lives. Having recently ratified ILO convention #98 on collective bargaining and the right to organize, Mexico has signaled that it intends to take measures in law and in practice that enable Mexican workers to exercise the rights that would make mature industrial relations more common in Mexico. We'll

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have to keep watching to see how real these changes become. That is the long-term sustainable solution to improving wages and conditions and reducing inequality in Mexico, as anywhere else.”

A Carlos Ferrán Martínez, partner of the labor and employment practice at Cuesta Campos y Asociados and general coordinator of committees at Ilustre y Nacional Colegio de Abogados de México (INCAM):

“There are plenty of reasons behind the strikes. Without a doubt, the most significant ones are related to the recent raise to the Mexican general minimum wage. There was an increase of around 16 percent in 2019, considering the independent recovery amount. The salary increase was of 100 percent in the northern border region. These conditions, as well as other macroeconomic factors—such as the cost of the ‘basic market basket,’ consumer goods and market inflation—will be considered and followed up on in a mandatory annual revision to collective bargaining agreements (CBA) throughout the region. Because of these increases and the newly instated Mexican administration (which is very employee-oriented), employees and unions feel empowered enough for the CBA revision to result

in a considerable increase in benefits and salaries, which would be directly reflected in companies’ finances and stability. Mexican unions, as an institution, have massive and real political power, since they are entitled to organize strikes with no actual reason or basis. By doing so, they compromise the entire company’s functioning. This is expected to change with the most recent labor and employment reform. It is because of this that it is highly recommended not only to have a CBA—in order to be protected from extor-

“Employees and unions feel empowered.”

— Carlos Ferrán Martínez

tionist threats—but also in order to activate the union’s life within the company and build a strong relationship with it, which results in the promotion of better working and employment conditions as well as stability and security for the company and foreign investment. As far as the USMCA goes, it encourages better working conditions in Mexico, including regulation that guarantees the basic human right of free association, which every employee is entitled to.”

Subscriber Notice

A Conversation With Gustavo Lopetegui, Argentina’s Energy Secretary

March 14, 2019

12:15 - 1:30 pm / Inter-American Dialogue / Washington, DC

To register or view the agenda, click [here](#)

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