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## FEATURED Q&A

# Is Brazil's Pension Reform Likely to Get Through Congress?



Brazilian Economy Minister Paulo Guedes said Wednesday that a watered-down pension reform could threaten future generations. // File Photo: Brazilian Government.

**Q** Brazilian President Jair Bolsonaro on Feb. 20 introduced his long-awaited pension reform proposal to Congress. The plan seeks to cut about \$290 billion in costs for a system that serves 21 million people. What are the reform's most important aspects, and which sectors of the population would be most negatively affected? Is this the reform markets expected from the far-right Brazilian president, or are key elements missing in the legislation? To what extent will Bolsonaro's proposal be watered down in Congress?

**A** Pascale Siegel, managing director at Ankura: "The proposed reform is more ambitious and comprehensive than expected, and markets have reacted positively. It curbs spending by a whopping 1.16 trillion reais over the next decade, far above the 800 billion reais of Temer's failed proposal last year. It tackles most of the difficult issues that have tripped past attempts. It raises the retirement age, reduces benefits, aligns public and some private regimes, and proposes a fully-funded system. At this early stage, chances for passage are brighter than in the past. There is broad agreement that reform is necessary for both fiscal sustainability and social justice. In the lower house, 250 deputies support the government, 58 short of the 308 needed. And 43 percent of Brazilians support the reform, compared to 20 percent who backed Temer's plan. Yet, congressional history is littered with half-hearted reforms. This round should be no exception. Controversial issues include curbing the privileges of special groups, increasing contribution years, retaining older workers in the workforce, tightening the elderly support rule and reforming rural pensions. Such measures

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## TODAY'S NEWS

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## Two Brazil School Shooters Kill Eight

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## U.S. Agrees to Halt TPS Termination for Hondurans

The Trump administration agreed to temporarily halt the termination of humanitarian protections for 86,000 people from Honduras in the face of a lawsuit claiming "racial animus."

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### POLITICAL

## China Offers to Help Venezuela Restore Power

China offered to help Venezuela restore power after a nearly week-long power outage, amid accusations of U.S. "cyber sabotage" on the grid. Foreign Ministry Spokesman Lu Kang said China is "deeply concerned" about the reports.

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Lu // File Photo: Chinese Government.

## POLITICAL NEWS

## Two Brazil School Shooters Kill Eight

Two gunmen on Wednesday morning opened fire at a school in Suzano, near Brazil's largest city of São Paulo, and killed at least eight people, five teenagers among them, Folha de S.Paulo reported. Guilherme Tauci and Luiz Henrique de Castro, aged 17 and 25 respectively, had been pupils at the school, and they apparently killed themselves before police arrived at the scene. Both grew up on the same street. One of them dropped out of the school after being bullied, his mother told the newspaper. Police say they found a revolver, a bow and arrow, and items that appeared to be explosives, BBC News reported. Another ten people, mostly students, were injured in the attack, and some remain in serious condition. Before entering the Raul Brasil school, the two killed the younger assailant's uncle, who owned a car rental agency where they stole a vehicle. The last major school shooting in Brazil happened in 2011, when 12 students were shot dead by a gunman in Rio de Janeiro. Police said the 1999 Columbine massacre in the United States

inspired the Suzano school shooters, Reuters reported. Wednesday's shooting ignited debate among political leaders, with some saying armed teachers could have prevented the killings, while others said putting more guns on Brazil's streets will only lead to more deaths.

## U.S. Agrees to Halt TPS Termination for Hondurans

The administration of U.S. President Donald Trump on Wednesday agreed to temporarily halt the termination of humanitarian protections for 86,000 people from Honduras living in the country, the Los Angeles Times reported. The decision comes one month after the American Civil Liberties Union and other immigrant rights advocates filed a class-action lawsuit against the administration over its decision to end temporary protected status, or TPS, for immigrants from the Central American country, along with a smaller number of people from Nepal. In their lawsuit, the plaintiffs alleged that the decision by the Department of Homeland Security to end TPS was "motivated by racial animus." The Trump administration

## NEWS BRIEFS

## Haiti's October Elections 'Fictitious': Senator

The speaker of Haiti's Senate, Carl Murat Cantave, on Wednesday cast doubt on holding legislative and municipal elections in October this year, CMC reported. Earlier this week, Prime Minister Jean-Henry Céant announced that the elections would take place on the last Sunday of October. But Cantave told a news conference that talking about elections in October is "something fictitious." Violent protests last month calling for President Jovenel Moïse to step down led to rioting that paralyzed the country for days.

## Bidding Documents for Mexico Refinery Could Be Released Next Week

Bidding documents to build the first new refinery in Mexico in decades could be released as soon as next week, Mexican Energy Minister Rocío Nahle said Wednesday, the Houston Chronicle reported. Nahle lamented that Mexico has a "severe dependence" on foreign fuels and now imports 80 percent of its gasoline and diesel. Maintenance contracts to get six aging refineries back up to 70 percent capacity will be issued later this year, but President Andrés Manuel López Obrador could personally announce the bidding documents for the new refinery as soon as next week, Nahle said.

## U.S. Senate Likely to Rebuff Trump on Border Emergency

The U.S. Senate today is poised to pass a proposal to terminate President Donald Trump's declaration of an emergency at the southern border, Reuters reported. Five Republican senators have said they back the measure passed in February by the House of Representatives. The vote would defy Trump's threat to veto the measure, although Democrats will not likely muster enough support to override the veto.

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would negatively affect the most modest pensioners who represent two-thirds of all pensioners, affect young people's ability to prepare for retirement and run afoul of well-organized political constituencies. The give-and-take could trim the expected benefits down to 600 to 700 billion reais over the next ten years and put Bolsonaro's reform in the same range as Temer's. Anything below that would likely disappoint markets."

**A** **Monica de Bolle, director of the Latin American studies program at Johns Hopkins' School of Advanced International Studies:**

"The pension reform proposal that Bolsonaro's government presented has a number of positive points and is more ambitious in

scope than Temer's failed reform. It plans to cut some 16 percent of GDP in spending over the next decade, compared to Temer's less than 10 percent of GDP over 20 years. It introduces progressive contribution scales—such as ensuring that those who earn higher wages should contribute more than the economically disadvantaged. It introduces minimum retirement ages and reasonable transition periods from the current system to the new one. Importantly, it ensures that pension systems will broadly follow the same rules at the federal, state and municipal levels. All this said, the proposal stipulates that private-sector workers would need to contribute continuously for a period of 40 years in order to receive 100 percent of their pension benefits—this penalizes the

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has announced the termination of TPS for 98 percent of those who have it, many from Latin America. A quarter million people from El Salvador have been living under TPS in the United States since 2001. Democratic Presidential Candidate Julián Castro has proposed a Marshall Plan for Central America to help stem the flow of undocumented immigrants, The Guardian reported.

## Venezuela's Power Completely Restored After Outage: Maduro

Venezuela's information minister said Wednesday that an unprecedented and nearly week-long national power outage has been completely restored, CNN reported. Speaking at a press conference, Jorge Rodríguez said that "President Nicolás Maduro has decided to resume work activities throughout the country," adding, however, that school activities remain suspended for another day. He urged people to unplug appliances and turn off lights. "Help us to help you." Reporters on the ground said power has been restored in many parts of Caracas, but not everywhere. The minister said 80 percent of the country and 70 percent of Caracas now have drinking water. Rodríguez said military exercises have been ordered this weekend "to protect the electric grid." China offered on Wednesday to help Venezuela restore power, after Maduro accused the United States of "cyber sabotage" on the grid, Reuters reported. Speaking in Beijing, Chinese Foreign Ministry Spokesman Lu Kang said China had noted reports that the power grid had gone down due to a hacking attack. "China is deeply concerned about this," Lu said. The blackout was likely caused by a technical problem with transmission lines linking the Guri hydroelectric plant in southeastern Venezuela to the national power grid, experts told Reuters. Critics of the Maduro regime point out that brownouts and blackouts have been common in Venezuela for more than a decade due to mismanagement. At least 20 people in the country of 32 million died over the past week as a direct result of the power outages, according to media reports.

## COMINGS & GOINGS

### Lioutikoff First Woman to Run UMPG Latin America

Alexandra Lioutikoff has been promoted to the post of president for Latin America and U.S. Latin at Universal Music Publishing Group, Billboard reported Wednesday. The appointment makes Lioutikoff the first woman to hold that post and, currently, the only woman to hold the position of president for a multinational Latin music company. She was hired as EVP of Latin Music for UMPG in 2016, after serving as the head of ASCAP's Latin membership department.

### María Teresa Tejada Joins Wells Fargo

María Teresa Tejada has joined Wells Fargo as the bank's new chief strategic enterprise risk officer, the company announced last week. Tejada most recently worked as deputy chief risk officer at competitor KeyCorp. Before joining KeyCorp, Tejada spent 16 years at Goldman Sachs in various positions, including vice president for Latin America investment banking.

### Crédit Agricole Names Brazil Senior Officer

Crédit Agricole has appointed Yves-Marie Gayet as the company's senior country officer for Brazil. Gayet, who will be based in São Paulo, will be part of the Americas management committee, which reports to Crédit Agricole's senior regional officer for the Americas, Marc-André Poirier. The France-based bank added that Jean-Baptiste Goethals and Sandrely Kümmer da Rocha Santiago will also join its Brazil team, as head of coverage and head of MNC coverage, respectively.

### Baker Tilly Appoints Mexico Market Leader

Angel Ramírez has joined Baker Tilly's international services practice as market leader for Mexico, the accounting firm said last week. Ramírez previously served as the Midwest market director for ProMéxico, the country's main trade and investment agency. He also has experience in the automotive sector and supply chain and production planning for large consumer product companies in the United States and Mexico.

### Hodgson Joins Jenner & Block's as Partner in N.Y.

Jenner & Block announced last week that Mélida Hodgson has joined the law firm as a partner in its international arbitration practice in New York. Over the past 27 years, Hodgson has advised Venezuela in several arbitration cases at the International Centre for Settlement of Investment Disputes, or ICSID, as well as represented Panama and Peru before ICSID tribunals and at the United Nations Commission on International Trade Law, or UNCITRAL. Hodgson has also worked as an arbitrator, including for disputes under Chapter 19 of the North American Free Trade Agreement and American Arbitration Association rules, the firm said.

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poor and the lower middle classes, which often come in and out of the formal labor force throughout their working lives. Although it is broadly the reform that markets were expecting—it probably surpassed even some expectations—dilution is practically a certainty. Public servants will lobby hard against the progressive contribution scales; the president himself has already shown reluctance with the more unpopular points of the reform; the government's base in Congress is currently disorganized; and there's no clarity about its willingness to defend the pension plan. Unsurprisingly, markets have begun to show concerns."

**A Carolina Costa Hurtado, director of the Brazil and Southern Cone Practice at McLarty Associates:** "The Bolsonaro administration's pension reform proposal would institute several key changes by establishing a minimum retirement age and extending the required contribution period. It also proposes some controversial measures, such as an increase in required contributions by farm workers and a reduction in continuous benefit payments (BPC) to the indigent elderly. The reform is critical to fixing Brazil's public finances, which in turn could pave the way for

**“The reform is critical to fixing Brazil's public finances...”**

— Carolina Costa Hurtado

sustainable economic recovery. However, a robust strategy by the administration for securing votes in a fractious Congress remains under question. The government has already come under fire for not articulating a clear strategy to move the proposal forward and for not soliciting input from congressional leaders. Moreover, President Bolsonaro has commented that several components of the proposal (including the reduction in the BPC) will need to be changed, thereby reducing its

proposed savings. Until it is clear whether the president will take a greater personal role in managing the process in the negotiations with Congress, the proposal could be watered down further in the weeks to come, posing a great risk to the administration."

**A Milko Matijascic, researcher at the Institute of Applied Economic Research (IPEA) in Brasília:** "President Bolsonaro's pension reform proposal calls for a minimum retirement age of 65 for men, 62 for women; contributions for at least 20 years (currently 15); contributions for 40 years to receive the full benefit (up from 35); raising the minimum age for receiving social assistance pension benefits from 65 to 70 years; and equalizing the required years of contribution for urban and rural workers. The government did not propose a Chilean-style reform yet. The pension reform affects both the poorest and best-off workers. Among the poorest, raising the minimum age for social assistance pensions requires more years of labor in precarious occupational conditions. For rural workers, the requirement for regular contributions is a problem, because their income is paid seasonally. Conversely, among better-off workers, many can currently retire at age 55 or younger, and they will need to wait ten more years. Partial disability was not addressed but could be introduced in the future. Finally, it would still be possible to receive a retirement pension and regular wages, a practice that is prohibited in many countries. The initial proposal was well received by the financial markets, but enthusiasm cooled after the president seemed willing to drop proposed changes to the social assistance pension and the minimum retirement age for women in response to political opposition. Getting legislation through the congress will be challenging because many legislators represent constituencies that are rural or poor. Recent comments from officials indicate that the government is aware of these difficulties."

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