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## FEATURED Q&A

# Can Chile's Piñera Accomplish Major Labor Reforms?



Chilean President Sebastián Piñera has added a labor reform to an already busy legislative agenda. // File Photo: Chilean Government.

**Q The government of Chilean President Sebastián Piñera this month submitted a labor reform proposal to Congress that, among other provisions, would allow for four-day work weeks and for contracts that formalize certain jobs.**

**Congress is already discussing a tax reform, a pension reform and reforms to the country's health care insurance system. What are the most important parts of Piñera's labor bill? Is his administration being overly ambitious, or will it succeed in passing the proposed overhauls before the end of Piñera's term in 2022? Which reforms and issues should be Chile's top priorities, and why?**

**A Luis Gonzales, head of the research division at Chile's Ministry of Finance:** "The labor reform is a direct modernization aligned with the requirement of today's labor markets. It introduces a flexible working day, which is currently 45 hours per week. It opens up the opportunity for workers to choose between 180 individual hours—distributing them across no less than four working days and no more than six working days—or collective contracts in half-year or one-year formats. The bill also introduces a set of extraordinary hours with compensation for vacation days. Additionally, it includes important considerations for the inclusion of women and special capacity requirements and gives incentives to young employees as well as to those who are in prison, in an attempt to promote the rehabilitation of that portion of the population. This reform is very well-designed and has significant support from a diversity of sectors, both from the private sector and academia. The bill is necessary to increase the well-being of thousands

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## TODAY'S NEWS

### POLITICAL

## United States Rules Out Talks With Maduro

The United States is ruling out any talks with the government of Venezuelan President Nicolás Maduro, a senior State Department official told the Miami Herald. The comments came as envoys of Maduro and opposition leader Juan Guaidó headed to Norway for talks.

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### BUSINESS

## Brazil's Vale Tells Officials Dam Is at Risk of Collapse

Brazilian iron ore miner Vale told prosecutors that a dam in its Gongo Soco mine in Minas Gerais State may collapse.

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### POLITICAL

## Fernández to Face Graft Trial Next Week in Argentina

Former Argentine President Cristina Fernández de Kirchner is to stand trial next week on corruption charges. She is accused of accepting bribes and other crimes but has denied wrongdoing.

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Fernández // File Photo: Argentine Government.

## POLITICAL NEWS

## U.S. Gov't Rules Out Talks With Venezuela's Maduro

The United States is ruling out any negotiations with the government of Venezuelan President Nicolás Maduro and is seeking a “dignified exit” for him, the Miami Herald reported Thursday, citing a senior State Department official. The comments came as representatives of both Maduro’s government and the government of opposition leader Juan Guaidó, whom more than 50 countries including the United States recognize as the country’s legitimate acting president, headed to Norway to engage in talks. For the United States’ part, “We have been very clear that negotiations with Maduro are not possible,” the State Department official told the Herald. The United States does, however, continue to discuss how Maduro could have a way out that would be part of a political transition in the Andean nation. “The word ‘negotiation’ is not one that we really use,” the official told the newspaper. “The best we can offer is what we call ‘off-ramps,’ which are different ways in which we can facilitate a dignified exit to Maduro. We are having those conversations.” The comments followed Guaidó’s call for a military uprising on April 30, which failed to dislodge Maduro from power. Following that attempt by the opposition, the United States, the European Union and the Lima Group, a bloc made up of 12 Latin American nations and Canada, have discussed ways to continue providing support for Guaidó. However, the countries disagree on whether talks between Maduro and the opposition should be attempted. The United States and much of the Venezuelan opposition are concerned that Maduro might use such talks just to buy time. “We want to make sure that our international coalition remains strong,” the State Department official told the Miami Herald. “We look at the events of April 30th and what we see is Maduro’s top-tier military and intelligence service were willing to essentially throw him under the bus. Our European partners need to understand that Maduro has his

back against the wall and trusts no one inside Venezuela.” Also on Thursday, U.S. federal law enforcement officers entered the Venezuelan Embassy in Washington and arrested four pro-Maduro activists who had been living inside for more than a month at the invitation of Maduro’s government, The Washington Post reported. Guaidó had asked U.S. authorities to evict the protesters, which included members of the Code Pink activist group. Carlos Vecchio, Guaidó’s envoy to Washington, said his mission would take control of the building late Thursday. “The usurpation has ended,” Vecchio said in a statement. “It has taken time and effort, but we have complied with the Venezuelan people. Infinite thanks to the Venezuelan diaspora for their sacrifice. Next liberation: Venezuela.” [Editor’s note: See related [Q&A](#) in the May 10 issue of the Advisor.]

## Fernández to Face Corruption Trial Next Week in Argentina

The first corruption trial against former Argentine President and current Senator Cristina Fernández de Kirchner will begin next Tuesday, the country’s Supreme Court said Thursday, despite a judicial order that opponents feared would push the trial into presidential campaign season, the Associated Press reported. The court earlier this week had said it would review the case file to evaluate legal arguments Fernández had presented, which was expected to delay the start of the trial. However, the court said Thursday the review “does not suspend the pending oral proceeding,” the Buenos Aires Times reported. The Supreme Court decided to review the case to “avoid future arguments” against its validity, according to unnamed court sources. Fernández stands accused of a number of crimes during her presidency, including money laundering and accepting bribes in exchange for public works contracts. She has denied wrongdoing. Her supporters claim current President Mauricio Macri, who is seeking another term in the country’s October presidential election, is using the former leader as a scapegoat to distract from

## NEWS BRIEFS

## Brazil Prosecutors Seek to Block Bolsonaro’s Easing of Gun Restrictions

Brazil’s federal prosecutor’s office has filed a lawsuit to immediately suspend a decree that President Jair Bolsonaro signed to loosen regulations on guns and ammunition, the prosecutor’s office said Wednesday, the Associated Press reported. The lawsuit, which five federal prosecutors co-signed, claims that Bolsonaro infringed on legislative territory, saying the decree contradicts Brazilian law. It also says the new measure would significantly increase the number of weapons circulating in the country and “jeopardizes the public safety of all Brazilians.”

## Crew Members’ Errors Caused 2018 Plane Crash Near Havana: Officials

The crash of a Boeing 737 jet near Havana a year ago, in which 112 people died, was likely due to crew members’ errors that “led to loss of control of the plane and its fall,” the Cuban Institute of Civil Aeronautics said on Thursday after investigating the incident, Reuters reported. The plane crashed into a field south of Havana after takeoff on May 18 of last year, leaving only one survivor. The company that leased the plane, Mexico’s little-known Damojh, has not operated since at least August.

## Mexico’s Central Bank Holds Rates Unchanged

Mexico’s central bank on Thursday held its benchmark interest rate unchanged, saying increases in wages have outstripped productivity gains in some parts of the economy, Reuters reported. The banks’ board voted unanimously to keep the overnight interbank rate at 8.25 percent, which has been its level since Dec. 20. Mexican President Andrés Manuel López Obrador has cut taxes and boosted the minimum wage in cities along the U.S. border.

Argentina's economic turmoil, the Buenos Aires Times reported. Fernández is widely expected to challenge Macri, although she has not yet announced her candidacy. The deadline to register to run is June 22. [Editor's note: See related [Q&A](#) in the Feb. 19 issue of the Advisor.]

## BUSINESS NEWS

## Brazil's Vale Tells Officials Dam Is at Risk of Collapse

Brazilian iron ore miner Vale told prosecutors that a dam in its Gongo Soco mine in Minas Gerais State is at risk of rupturing, according to a document published on Thursday, Reuters reported. Vale has warned officials that its Sul Superior dam may collapse next week if the current rate of movement in the embankment of the mine pit close to the dam is maintained. "If the movement of the northern embankment of the mine pit continues at the same pace, the rupture may happen between May 19 and May 25, which could cause liquefaction of the south dam," the prosecutor's document said, the wire service reported. Vale said in a statement late Wednesday afternoon that it was unclear whether the slippage would actually lead to a collapse, adding it was still raising levels of alert and readiness. Approximately 500 people who were deemed to be at risk from a collapse of the dam have been evacuated from the area since February under orders from mining regulator ANM, BBC News reported. The dam is located in the city of Barão de Cocais, about 40 miles from where Vale's Brumadinho dam collapsed earlier this year, killing more than 230 people and resulting in one of the country's worst environmental disasters. The Sul Superior dam holds some six million cubic meters of mining waste, about half of the amount released when the Brumadinho dam burst. Vale is under investigation for failing to take preventive action despite allegedly knowing the dam was at risk of collapsing. [Editor's note: See related [Q&A](#) in the Feb. 12 issue of the Advisor.]

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of employees. In terms of growth, in the long term, this reform will imply some gains in productivity that directly affect economic growth in the future."

**A Kathleen Barclay, former president of the Chilean American Chamber of Commerce (Am-Cham Chile):** "Earlier this month, President Sebastián Piñera submitted draft legislation to modernize Chile's labor law. The goal of the legislation is to provide for more flexible work schedules that permit more individuals to join the formal workforce and that are compatible with modern lifestyle requirements, as well as the needs of the economy of the future. The government estimates that as many as 442,762 people will be included in formal employment under this proposal. More vulnerable groups, including women, young people and senior citizens, are expected to benefit, improving inclusion in the workforce. The new rules reflect the needs of an increasingly digitalized economy. Current labor regulation in Chile is extremely rigid, limiting the number of hours worked per week to 45, which must be completed in between five and six days with a few exceptions that require the approval of the Labor Ministry. It is expected that increased flexibility will improve productivity and translate into higher salaries for workers and increased economic growth. According to OECD statistics, Chile is the penultimate country in the OECD in terms of labor productivity, producing \$27.60 an hour per worker, as compared with the OECD average of \$54.72 an hour per worker. The increased flexibility proposed provides the same safeguards to workers as are contemplated under current legislation. Negotiations involving schedules for a period of six months or more would require support from unions or the majority of a company's labor force. The change will allow for the current system of weekly rules, the ability to negotiate monthly schedules or to work four-day weeks with a maximum

of 12 hours worked per day. Changes must be mutually agreed between workers and their employers. Chile's legislative agenda is full—including tax, health care and pension, as well as labor, reforms. The government is ambitious for tackling all of these reforms at the same time. Discussion and consensus on them are critical for growth and the economic well-being of the Chilean people. The labor modernization is a reform that has generated public support and a broad base of positive commentary from economists across the political spectrum."

**A Javier Pineda Olcay, founder and director of Defensoría Popular de las y los Trabajadores in Chile:** "Sebastián Piñera's government is a loyal representative of Chile's business class, which all of his reforms seek to benefit. The tax reform helps the wealthiest one percent; the pension reform benefits private pension management funds; and the labor reform is designed in line with businessmen's needs. The changes have been

“**Sebastián Piñera's government is a loyal representative of Chile's business class, which all of his reforms seek to benefit.**”

— Javier Pineda Olcay

announced through grandiose speeches, but they are not substantive reforms. They will only deepen the neoliberal system managed since Augusto Pinochet's dictatorship. Piñera's public account, as in previous years, has nothing to show for it—only speeches. The 'better times' that were promised have not arrived. The labor and pension reforms are a priority for the country, with unemployment rates increasing; a lot of job insecurity (low salaries, long hours, job instability, work harassment, among other problems); and

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pensions are a misery. However, Piñera's announced reforms don't solve the problem. They worsen it. The labor reform provides for absolute flexibility in the working day, eliminating basic rights such as a maximum weekly and daily working hours. If the reform is approved, employees may have to work for more than 12 hours per day and more than 70 hours per week—a return to the 19th century. Likewise, there is no recognition of labor rights for 'platform workers' (who work for Uber or Rappi, among others). These reforms represent employers' offensive against employees. For this reason, workers have nothing to celebrate."

**A**lex Schober, senior analyst for the Southern Cone at DuckerFrontier: "We have been consistently below consensus on Chile's 2019 economic outlook due to the Piñera administration's ambitious reform agenda. During his 2017 presidential campaign, Piñera overpromised by proposing an overhaul of the country's tax and pension systems. Once in power, he faced the daunting reality of weak political capital when his coalition, Chile Vamos, won minorities in both chambers of Congress—dimming the prospects for contentious reforms. Within this context, it was surprising that the ad-

ministration introduced yet another reform—labor—at the beginning of May. Meanwhile, there have been no major breakthroughs in either the tax nor the pension reform, the latter of those two being the most pressing because of the country's lower-than-expected pension payouts, leaving retirees in a precarious living situation. The administration's

“The labor reform will likely have to wait until 2020.”

— Alex Schober

lack of foresight was apparent when the labor commission of the Chamber of Deputies recently this week declined to send the pension reform to the floor. We still believe Piñera will sign both the tax and pension reforms by the end of the year, but they will likely be altered to appease the opposition. The labor reform will likely have to wait until 2020. And if the government manages to sign the labor reform in its current state, the flexible work schedule element could be a great example for other Latin American countries attempting to modernize their labor codes. I believe it is a worthy and intriguing reform. But we will have to wait; this is Chile's political reality.”

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2019

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

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# Advisor Video

## Corruption, Criminality, and Justice in a Post-Transition Venezuela

An Inter-American Dialogue discussion with  
Alessandra Pinna, Freedom House  
Mercedes de Freitas, Transparencia Venezuela  
José Ignacio Hernández, Interim Gov't of Juan Guaidó  
and others

View a webcast of the May 9 discussion.

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