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FEATURED Q&A

Will New Ministers & Better Roads Lift Piñera's Popularity?



Chilean President Sebastián Piñera's new cabinet includes changes in the leadership of the ministries of economy, foreign affairs, social development and energy. // Photo: Chilean Government.

Q Chilean President Sebastián Piñera on June 13 announced a cabinet shake-up, his second since taking office, including changes in leadership at the ministries of foreign affairs, health, economy, energy, public works and social development. The announcement came as Piñera's approval rating plummeted 12 percentage points to 25 percent, according to a CEP survey. Meanwhile, the president announced a plan to speed up a \$4 billion infrastructure program this year in a bid to stimulate the country's slowing economy. What are the most important cabinet changes, and what should Chileans expect from Piñera's new ministers? What are the reasons behind the sharp drop in the Piñera's popularity? To what extent will the acceleration of the infrastructure program boost the economy and win back support for his government?

A Guillermo Holzmann, professor at the University of Valparaíso and CEO of Analytika Consulting: "Piñera has the imperative to fulfill the economic expectations for which he was elected president. Until now, he had postponed a cabinet change. The population does not perceive social advances, and negotiations in Congress have not led to the approval of major reforms (pension, health, education, security and tax, among others) to fulfill its legislative agenda. On top of this, there is a steady drop in Piñera's approval ratings due to unfulfilled expectations, as well as distrust in political institutions, especially in his management of the presidency and a generalized perception of increasing levels of corruption. Moreover, citizens' identification with political parties is at its lowest level, opening a favorable scenario

Continued on page 3

TODAY'S NEWS

ECONOMIC

Mercosur, E.U. Look Ahead to Trade Deal

After two decades of on-and-off-again talks, South American countries and the European Union agreed on a trade pact Friday. However, analysts warn its implementation could take years.

Page 2

POLITICAL

Brazilians Rally in Support of Justice Minister

Thousands of protesters took to the streets in at least 70 cities across Brazil on Sunday in support of Justice Minister Sérgio Moro, who is fighting news reports that he conspired with prosecutors on his anti-corruption drive.

Page 2

POLITICAL

Death of Detained Venezuela Soldier Sparks Outrage

Venezuela's opposition has denounced the apparent torture and death of Rafael Acosta, a navy captain held over an alleged plot to assassinate President Nicolás Maduro.

Page 2



Acosta // File Photo: @waleswka via Twitter.

ECONOMIC NEWS

Mercosur, E.U. Look Ahead to Trade Deal

After two decades of on-and-off-again talks, major South American countries and the European Union agreed on a trade pact Friday that would strengthen commercial ties. The agreement would link more than 770 million people and form one of the world's biggest free trade areas, Deutsche Welle reported. With Brazil, Argentina, Uruguay and Paraguay in the Mercosur bloc, and the European Union in the another, both sides trade some \$100 billion in goods and nearly half that in services every year. However, winning implementation of the accord could take years, with environmentalists and labor unions making final approval a challenge, The Wall Street Journal reported. European activists contend that opening domestic markets to Brazilian agricultural exports will fuel deforestation in the Amazon, while farmers and ranchers from France to Poland say they are being sacrificed to secure markets for Europe's powerful industrial exports, such as autos and machinery. Under the deal, the European Union would eventually abolish 92 percent of taxes on Mercosur imports, while Mercosur would gradually eliminate its duties on 91 percent of E.U. goods. European companies would, for the first time, be able to bid for government contracts in the four Mercosur countries on equal terms as domestic companies. [Editor's note: See related [Q&A](#) in the Jan. 30 issue of the Advisor.]

POLITICAL NEWS

Brazilians Rally in Support of Justice Minister

Thousands of protesters took to the streets in at least 70 cities across Brazil on Sunday in support of Justice Minister Sérgio Moro, who is fighting news reports that he conspired

with prosecutors on his anti-corruption drive, Folha de S.Paulo reported. Moro, a crusading anti-corruption judge before joining President Jair Bolsonaro's cabinet in January, has faced calls for his resignation over leaked conversations purportedly showing he colluded with prosecutors in the Car Wash probe to keep former President Luiz Inácio Lula da Silva from another presidential run in 2018. Last month, the Brazilian Bar Association called for Moro's suspension over the revelations, but he has denied wrongdoing and refused to step down. Turnout on Sunday appeared to be lower than in recent protests both for and against Bolsonaro's administration, according to the report. [Editor's note: See related [Q&A](#) in the June 26 issue of the Advisor.]

Death of Detained Venezuela Soldier Sparks Outrage

Venezuela's opposition leaders on Saturday accused the government of torture and denounced the death of a navy captain held over an alleged plot to assassinate President Nicolás Maduro, BBC News reported. Rafael



Bachelet // Photo: United Nations.

Acosta, 49, was among six policemen and soldiers arrested last Wednesday. Facing charges of treason and sedition, Acosta appeared in court on Friday in a wheelchair, but he fainted before proceedings began. Venezuela's defense ministry said in a statement it had provided "appropriate medical attention," according to the report. Opposition leader Juan Guaidó, who has been internationally recognized as the legitimate interim president of Venezuela, said Acosta was "savagely and

NEWS BRIEFS

Hail Storm Buries Parts of Mexican City Under Ice

An unprecedented hailstorm buried parts of the Mexican city of Guadalajara under more than three feet of ice on Sunday morning, El Universal reported. Officials in the city of five million declared a state of emergency as storm drains became blocked by the hail, causing flooding. Hundreds of homes, businesses and cars were damaged. "I witnessed scenes I'd never seen before," said Jalisco State Governor Enrique Alfaro. "And then we wonder if climate change exists," he added.

Better Road Safety Could Save \$29 Billion: Report

Weak vehicle safety standards in four countries of Latin America will lead to more than 25,000 deaths over the next decade, Forbes reported Sunday, citing new research from Bloomberg Philanthropies. Argentina, Chile, Mexico and Brazil could also prevent some 170,000 serious injuries by 2030 if they adopted minimum standards for crash safety and took steps to improve safety for pedestrians and bicyclists, according to the research, which was conducted by the U.K.-based Transport Research Laboratory. Preventing road fatalities and serious injuries could result in an estimated economic benefit of nearly \$29 billion, the study found.

Peru's Vizcarra Plans to Build More Hospitals

Peruvian President Martín Vizcarra said Friday his administration would build more hospitals in order to improve health care services, state news agency Andina reported. The new hospitals will replace facilities that need to be modernized, according to the report. Vizcarra said the government would also focus on hiring more specialized personnel and physicians. Beyond infrastructure, Vizcarra said new regulations would require a minimum stock of generic medications at pharmacies.

brutally tortured." His wife, Waleska Pérez, said he was barely conscious when he appeared at the military tribunal, with signs of torture visible on his body. Acosta's death comes just weeks after the United Nations' human rights chief, Michelle Bachelet, finished a visit to the country to investigate claims of human rights abuses, pledging to set up an office in the troubled country to monitor the situation. Maduro had "agreed that my team will be guaranteed full access to detention centers to be able to monitor conditions and speak to detainees," Bachelet said. Last year, Fernando Albán, a local politician for the opposition, died while in the custody of Venezuela intelligence service Sebin, CNN reported. The government claimed his death was a suicide. Although Guaidó seemed on the cusp of forcing Maduro out of the country earlier this year, the situation has turned into something of a stalemate.

BUSINESS NEWS

Oversight Board Files Suit in Puerto Rico Corruption Case

The U.S. federal financial control board overseeing Puerto Rico's finances on Sunday filed a lawsuit to recover payments made by the island's power company to fuel suppliers, the Associated Press reported. The alleged scheme spanned more than a decade and involved fuel companies Tráficos and Vitol as well as independent laboratories. According to the suit, the firms supplied low-grade oil to Puerto Rico Electric Power Authority, or PREPA, charging billions of dollars in overpayments from 2002 to 2015. Last month, the same oversight board announced a \$35 billion deal with the U.S. territory's creditors that could allow it to emerge from bankruptcy in early 2020. The deal will more than halve Puerto Rico's debt servicing over the next 30 years, although Puerto Rico's current government has not agreed to sign onto the plan. [Editor's note: See related [Q&A](#) in Friday's issue of the Advisor.]

FEATURED Q&A / Continued from page 1

for populist expressions. In this context, the cabinet shake-up is a must to achieve results, with a focus on strengthening the economy and Chile's position on the global stage, considering the negative impact of the trade war between the United States and China and the uncertainty that Trump's geostrategic management generates. The new ministers will have the arduous task of generating the necessary trust among the public and to neutralize the beginning of an anticipated presidential race. The challenges are complex. It is necessary to advance solid alliances, independent of trade agreements, that will allow Chile to navigate between the United States' traditional influence and the growing, decisive influence of China."

A Ricardo González, coordinator of the public opinion program at Centro de Estudios Públicos (CEP) in Chile: "President Piñera said he expects the newly appointed ministers to focus on improving the management of the issues at hand and better communicating the government's main achievements. Chileans hold high expectations for their performance. According to a recent survey, the cabinet's approval is higher than President Piñera's after the shake-up. Surveys show at least three reasons behind the sharp drop in the president's approval ratings. First, positive perceptions of the current and future performances of the Chilean economy have declined as compared to the end of the year's figures. These perceptions are grounded on a more pessimistic assessment of Chileans' own economic position and a poorer-than-expected performance of the local economy. Second, Chileans perceive that the government is doing a poor job in dealing with their main concerns: crime and robbery, pensions and health care. Third, the government is having a hard time trying to pass legislation addressing Chileans' main concerns because its coalition is a minority in both the upper and lower houses. In a country with strong presidentialism, the

legislative gridlock affects President Piñera's approval ratings as well. The acceleration of the infrastructure program, by reallocating current fiscal budget and stimulating public-private partnerships, might boost the economy and contribute to reverting the negative assessments of the Chilean economy. However, it only goes so far, given that President Piñera's approval ratings, in my view, are also based on perceptions of his management of Chileans' main concerns and the legislative gridlock, neither of which the infrastructure program addresses."

A Rossana Castiglioni, associate professor of the political science school at Universidad Diego Portales in Santiago:

"Piñera's popularity plummeted for two main reasons. First, despite the government's motto that the new presidency would bring 'better times,' macroeconomic performance has been worse than expected. Second, his state visit to China in April was a source of outrage and widespread criticism both from the opposition and the general public. Two of Piñera's sons were part of the presidential delegation. Critics argued that his sons participated in official business meetings for their own private benefit, sparking allegations of nepotism and favoritism. Although the president and his sons categorically denied wrongdoing, these allegations affected Piñera's approval rating. This drop in popularity prompted a quick, twofold response from Piñera. First, he announced a series of goals and measures to boost the economy, including to double economic growth, to create 600,000 new jobs and 400,000 new businesses and to significantly expand the country's infrastructure by developing highways, improving the public transport system and creating new reservoirs for water storage. Second, he reshuffled his cabinet. Some of the cabinet changes reflected the government's announcement to boost the economy and develop Chile's infrastructure. This was precisely the case

Continued on page 4

FEATURED Q&A / Continued from page 3

in the appointment of new ministers of public works (Alfredo Moreno), energy (Juan Carlos Jobet) and economics (Juan Andrés Fontaine). There were also changes in the ministries of foreign policy (Teodoro Ribera), social development (Sebastián Sichel) and health (Jaime Mañalich)."

Alex Schober, senior analyst for the Southern Cone at Ducker-Frontier: "President Piñera's decision to change members of his cabinet aimed to rejuvenate public confidence in his government. Unfortunately for him, this has not worked yet. Piñera's approval rating fell from 31 percent to 29 percent in the June 21 Cadem survey, the lowest of his term. The primary reason for Piñera's current fall from grace has been consistent delays approving crucial reforms. Currently, at least

“He is promising too much and delivering too little.”

— Alex Schober

five reforms remain stalled in Chile's Congress: tax, pension, labor, health and education. Moreover, Piñera suggested the idea of a constitutional reform to reduce the number of senators and deputies in Congress. He is promising too much and delivering too little. It also does not help that the president of the Finance Committee in the Chamber of Deputies, Daniel Núñez (of the Christian Democrats), recently suggested delaying the tax reform until 2020. The centrist Christian Democrat party is the key to passing any reform, given the minority of Piñera's Chile Vamos coalition in both houses of Congress. All this political uncertainty has affected confidence, and it is evident that businesses and consumers have begun to delay major purchases and investments. The economy has slowed. As such, the government will attempt to take economic matters into its own hands by accelerating an already-announced

infrastructure investment plan. The new plan will add \$2 billion of investment from now until the end of 2020, mostly focused on transportation infrastructure. Certainly, this plan will help the economy; Chile's infrastructure underwent lengthy periods of underinvestment during the Bachelet administration. However, I do not believe Piñera can regain public confidence until he makes reasonable concessions with the opposition and signs both the tax and pension reforms. Until then, consumer and business confidence will be at risk to deteriorate."

A Mireya Dávila, assistant professor at the public affairs institute of Universidad de Chile: "Politically speaking, the most important changes are in the ministries of public works and foreign relations. The change in the former will improve management capacity, and the change in the latter brings political experience. The ex-foreign minister was criticized for his inability to conduct foreign relations. Public opinion, the political elite and the media criticized Piñera for not changing any political ministers, such as interior or communications. This sharp drop can be explained by economic and political factors. The economy has not been as good as expected, and Piñera's political capacity to manage the government has been weak. Several ministers and Piñera himself have had problems in controlling the agenda. The infrastructure program will only partially boost the economy because there are other external factors affecting the Chilean economy. This program will not improve support for the government. Piñera's government has other political problems, such as, critical opinions from the private sector—where Piñera himself comes from—in terms of implementing policy changes to benefit that sector. Moreover, the government coalition has also criticized some policy decisions."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:ekuleta@thedialogue.org).

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