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FEATURED Q&A

Will Chileans Vote to Rewrite Their Constitution?



Chile's national plebiscite, a response to the country's 2019 protests, will ask voters whether the country's constitution should be rewritten. // File Photo: Natalia Reyes Escobar via Creative Commons.

Q Chile will hold a national plebiscite on Oct. 25 on whether to rewrite the country's 1981 constitution. How is the vote shaping up, and to what extent has the economic and social aftermath of the coronavirus pandemic influenced voters? Is turnout likely to be low because of health concerns, and how might that affect the result's legitimacy? What's at stake in the referendum, and are protests likely to ensue after the vote?

A Claudia Heiss, head of the political science program at the University of Chile's Institute of Public Affairs (INAP) and researcher at the Center for Social Conflict and Cohesion Studies: "Chileans have consistently shown a strong preference in favor of replacing the 1981 constitution, as well as for doing so with a constituent body that is completely elected, as opposed to one composed of a 50-50 mix of current legislators and elected representatives. Data differ, however, on the extent to which the pandemic may reduce Chileans' willingness to vote, from 79 percent according to Data Influye to only 53 percent according to Activa. Fear of contracting Covid-19 and a relative decrease in immediate concern with constitutional change before new health and economic urgencies may reduce turnout. Preference for a new constitution has consistently exceeded 70 percent. There is also a clear preference for an elected constituent convention over the mixed formula, although the difference between these options is smaller than those who want and don't want a new constitution, 66.8 percent versus 28.1 percent, respectively. What is at stake in this plebiscite is

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TODAY'S NEWS

POLITICAL

E.U. Parliament Warns Nicaragua of Sanctions

The European Parliament threatened to sanction Nicaragua's government if it proceeds with two pieces of legislation that opponents say would repress freedom of expression.

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BUSINESS

dLocal Expands to Costa Rica, DR and Panama

Cross-border payment platform dLocal said it is expanding its service to Costa Rica, the Dominican Republic and Panama. The company specializes in local payments in emerging markets.

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POLITICAL

Maduro Gains Power to Sign Secret Oil Deals

Venezuela's powerful Constituent Assembly granted President Nicolás Maduro the power to confidentially sign oil deals, a move intended to circumvent sanctions imposed by the administration of U.S. President Donald Trump.

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Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

European Parliament Threatens Sanctions Against Nicaragua

The European Parliament on Thursday overwhelmingly approved a resolution threatening Nicaragua's government with sanctions if the country approves two pieces of legislation that opponents say would repress freedom of expression, the Associated Press reported. The measures under consideration in Nicaragua's National Assembly would place new restrictions on journalists by requiring journalists who work for foreign media companies to register with Nicaragua's government as foreign agents and also refrain from "intervening in questions, activities or matters of internal politics," The Washington Post reported. The other measure under consideration would implement penalties of as long as four years in prison for using a computer to spread "false and/or misrepresent-

ed information that causes alarm." The European Parliament's resolution says the proposed laws "will worsen the climate of intimidation, threats and human rights violations" that have occurred in Nicaragua since protesters opposed to President Daniel Ortega began taking to the streets in large-scale demonstrations in April 2018, the AP reported. The resolution also calls for a parliamentary delegation to visit Nicaragua before the country's planned November 2021 presidential election. Ortega, who has been Nicaragua's president since 2007, is expected to seek a fourth term. "The resolution is forceful because it lays out the urgent need for Ortega to reverse course to re-establish democratic order and recover freedoms," Tamara Dávila Rivas, director of opposition coalition Blue and White National Unity, told the AP. Earlier, Ortega announced that his government was preparing legislation that would allow life prison terms for people convicted of "hate crimes," a term that his government has used for actions taken by the opposition. Currently, Nicaragua's maximum prison sentence is 30 years.

NEWS BRIEFS

Paraguay's Finance Minister to Step Down, Head to IDB: Report

Paraguayan Finance Minister Benigno López is reportedly soon stepping down from his position to take a senior role at the Inter-American Development Bank, a government source told Reuters on Thursday. He will reportedly work as vice president for sectors and knowledge in a three-year term that starts in mid-October, according to a note seen by Reuters. In August, López told the Advisor that while Paraguay faces a sharp economic contraction this year, growth of 5 percent to 6 percent is expected next year, "which shows that the growth potential and comparative advantages of our country remain fully established."

Federal Reserve Clears Bradesco's Acquisition of Florida Bank

The U.S. Federal Reserve has approved Brazilian lender Banco Bradesco's acquisition of BAC Florida, Bradesco said in a securities filing, Reuters reported Thursday. The bank said it now has all required regulatory authorizations to proceed with the transaction. Bradesco reached a deal to buy Florida-based BAC in May of last year for approximately \$500 million. It is the Brazilian bank's first-ever international acquisition, according to the report.

Brazil's Grupo ABC Sells Pereira O'Dell Stake to Serviceplan Group

Brazilian advertising agency Grupo ABC has sold its stake in U.S. ad agency Pereira O'Dell to Germany-based Serviceplan Group, according to law firm Paul Hastings, which advised Grupo ABC on the deal. Grupo ABC has had a 30 percent stake in Pereira O'Dell, whose operations are based in New York and San Francisco. The agencies will remain independent and will market under their own brands.

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the strength of a symbolic mandate for deep structural reform and a message to a political elite that has maintained key institutional aspects of the political and economic model imposed by Pinochet. Protests are likely to continue throughout the constitution-making process, which ends in 2022. But the degree of openness and inclusion of this process will determine the intensity of protests, as well as the relevance of a discredited political establishment and its capacity to channel social demands."

A Daniela Jara Leiva, professor in the Department of Sociology of the University of Valparaíso: "Chileans are demanding a major transformation. Universal access to better education and pensions are among the main demands, but the social movement is also fueled by a general malaise toward a political elite that seems disconnected from people's needs, problems and realities.

A concept that demonstrators have used to summarize their criticisms is 'dignity.' The 1981 constitution, its authoritarian origins and its conservative mechanisms have been criticized, as has an increasing delegitimization of social institutions and their legal framework. Constitutional change is not a new social demand; it was part of Michelle Bachelet's campaign promise. Today, just a few weeks from the plebiscite, it seems that Chileans will approve a rewriting of the constitution, although the pandemic will complicate turnout levels. However, low participation in referendums (40-50 percent) has been an increasing tendency since voting became voluntary in 2012. Although there is uncertainty, it seems that disapproval of the social order and the demand for social change will win over fear. Expectations are high. Polls are showing that 55 percent to 70 percent of Chileans want a new constitution. It is expected that new voters will participate, particularly younger

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Venezuela's Maduro Gains Power to Sign Secret Oil Deals

Venezuela's National Constituent Assembly, which is stacked with supporters of President Nicolás Maduro, on Thursday passed a law allowing Maduro to confidentially sign new oil deals with private firms and other countries, a move intended to circumvent U.S. sanctions, Reuters reported. Under the new law, changes can be made to the ownership of joint ventures between state oil company PDVSA and private companies, although it does not detail what percentage of participation PDVSA would have in future joint ventures, according to the report. Maduro is looking for greater investment in the oil sector with the legislation, sources told Reuters. By handing over more control of oil production to private companies, his government would be able to avoid sanctions linked to PDVSA, the sources added. Venezuela's oil sector has been completely crippled by years of mismanagement and corruption along with tough U.S. sanctions. For the first time in a century, there are no rigs searching for oil in Venezuela, The New York Times reported.

BUSINESS NEWS

dLocal Expands Network to Three Countries in Region

Cross-border payment platform dLocal announced Thursday that it is expanding its payment network to Costa Rica, Panama and

SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Monday due to the Columbus Day federal holiday in the United States, which is observed in Washington and other locations as Indigenous People's Day. The Advisor will resume publication on Tuesday.

THE DIALOGUE CONTINUES

Is Ecuador Taking the Right Steps on Digital Taxation?

Q Hundreds of digital services became subject to a value-added tax (VAT) in Ecuador starting Sept. 16, amounting to an additional 12 percent levy. What companies will be most affected by the new tax, and will their customers end up paying the bill? How will the measure influence investment decisions in the Andean nation? How does Ecuador's move relate to delayed efforts at the OECD and other groups to coordinate international taxation policies for the global digital economy?

A Abelardo Pachano, president of Finanview in Ecuador, former CEO of Produbanco and former Ecuadorean central bank president: "Ecuador's new VAT taxes on digital services, implemented just recently, have been in the works since the end of 2019. They offer a clear and simple approach, applying this kind of new tax more uniformly to services than in the past. While the amount of revenue that the government is expected

to receive is not large, the importance of the new tax is that it consistently covers a broader set of services. For example, some transactional services provided by financial

“ The importance of the new tax is that it consistently covers a broader set of services.”

— Abelardo Pachano

institutions will be subject to the tax. The new legislation exempts only basic products and medicines from the VAT taxes. In some cases, consumers will pay the additional 12 percent tax, and in other cases, companies will absorb the tax.”

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Sept. 29 issue of the Advisor.

the Dominican Republic. The company said it now supports more than 300 local payment methods in 23 emerging-market countries. In Latin America, it also offers services in Brazil and Mexico. dLocal specializes in payments in emerging markets and facilitates payments by depositing domestic currency directly into their bank accounts, according to the company's website. It works with 450 clients in several industries, including online retail, digital media, entertainment and travel. "The payments infrastructure in regions such as Latin America and the Caribbean is often complex and fragmented," Michel Golffeld, the company's vice president of growth, said in a statement. "Companies that enter these markets without the ability to accept locally-relevant payment methods are often unintentionally limiting their reach and hindering their growth." dLocal's

expansion into the three countries in Latin America and the Caribbean came after it secured \$200 million in new funding. It is using the venture capital funding to "aggressively add more than 13 markets to its coverage in the next 18 months," dLocal said in a statement. Through the expansion, merchants using dLocal's service in Costa Rica, Panama and the Dominican Republic can accept Mastercard or Visa credit cards issued by local banks. dLocal is also adding Panama's Tarjeta Clave debit card to its payment methods, and merchants in Costa Rica who use dLocal and want to add cash as a payment option will be able to accept Tucán Cash, a banking platform of Banco de Costa Rica that allows customers to make cash deposits at more than 4,300 service points including supermarkets and hardware stores, said dLocal.

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ones, revitalizing representation despite the pandemic. If Chileans vote for a constitutional rewrite, it seems likely that society will exert pressure to improve the mechanisms of representation in the next stage: the election of candidates for the constitutional convention. I expect politicization of society to continue shaping the debates regarding the contents of the new constitution over the next two years, and that social polarization regarding controversial issues may continue, sometimes exacerbating them. A key issue in the short term will be the representation of independent citizens and social groups in the convention, as well as police reforms. It's likely that social manifestations will still take place after the plebiscite; a public culture of street demonstration will likely persist during these two years, challenging the maintenance of public order and security in accordance with human rights standards."

A **María Cristina Escudero, member of the 2019 technical committee to launch the constitutional process:** "Most likely, Chileans will approve a rewriting of the constitution on Oct. 25. This would be consistent with a citizen demand that has been establishing itself in the country for more than a decade and that is shared by most political forces—except the far right and, to an extent, the far left. The constituent process is presented as a solution to a social and political crisis that has put in check a country accustomed to stability. It is also probable that the decision between a constitutional convention or a mixed convention will be close, with an inclination toward the former. This is because, while polls show that most prefer a constitutional convention, the language used for the plebiscite is not straightforward and has been difficult to explain. A new constitution is perceived as a stepping stone to changing a model that accentuates inequality and that excludes many from the decision-making process.

What's at stake is re-legitimizing the political system and improving social coexistence, with a frank discussion about economic, social and cultural rights, the role of the state and distribution of power. Covid-19 has worsened pre-existing problems and added new ones. It has made more evident the differences between those who have access to private and public health; the same with

“**A new constitution is perceived as a stepping stone to changing a model that accentuates inequality...**”

— **María Cristina Escudero**

education. It has also shown the defects and consequences of a hyper-presidential system that has reduced representation and weakened Congress and political parties. In this context, the need for a new constitution has been affirmed. Abstentionism is likely to be high. Chile has been showing disenchantment with politics and sustained increases in abstentionism since the 1990s. The pandemic makes it more difficult to reverse abstentionism, and the government has been slow to give certainty regarding the electoral process. This must be kept in mind, since an effort will have to be made to reinforce the legitimacy of the convention through other tools, such as mechanisms for citizen participation and transparency. However, it does not invalidate a process that is a replacement to street violence and permanent polarization in unresolved political issues through dialogue, deliberation and the institutionalization of solutions."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2020

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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

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@thedialogue.org

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