

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

CEO, DevryBV Sustainable Strategies

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes

Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados (McDonald's)

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

Senior VP, Corporate Affairs,
Royal Caribbean Group

Jon E. Huenemann

Council Member,
GLG Inc.

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Senior Director,
Int'l Gov't Relations, Exxon Mobil

Barbara Kotschwar

Executive Director, Visa Economic
Empowerment Institute

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Beatrice Rangel

Director,
AMLA Consulting LLC

Jaana Remes

Partner,
McKinsey Global Institute

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

President,
IESA

Andrés Rozental

President, Rozental &
Asociados

Shelly Shetty

Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

What Does Boric's Election Mean for the Future of Chile?



Leftist former student leader Gabriel Boric was elected Chile's president on Sunday. // Photo: Boric Campaign.

Q Leftist millennial Gabriel Boric, 35, was elected Chile's president on Sunday, defeating conservative José Antonio Kast, who conceded the race. A former student leader, Boric became well-known during anti-government protests in the South American country, and he is set to become Chile's youngest president when he takes office in March. What factors were most responsible for Boric's victory? What are the biggest initiatives expected of his government, and how well will Boric be able to work with the country's Congress? What will Boric's presidency mean for Chile's business climate and the country's economic recovery?

A Carla Alberti, assistant professor in the Department of Political Science at the Pontificia Universidad Católica de Chile: "Boric moderated his discourse and program before the runoff and was thus able to attract more voters from the center and center-left of the political spectrum, without alienating his support base. He was capable of attracting most of the new voters who participated in the second round. Additionally, he managed to capitalize on the demands for change that emerged from the 2019 social mobilizations. There is also a generational aspect to consider, as Boric was more successful in attracting younger voters. The most important initiatives relate primarily to the reform of the pension system, a tax reform to finance the proposed program and the granting of key social rights, such as education, health and housing. Boric's administration will have to deal with Congress, where there is no clear majority in any chamber. This will force the government to negotiate each of the policies it aims to imple-

Continued on page 3

TODAY'S NEWS

POLITICAL

Missionaries Escaped From Haitian Gang: Aid Group

A group of a dozen missionaries whom a Haitian gang had held captive for two months made a daring escape to reach freedom last week, their organization said.

Page 2

BUSINESS

Colombia's Addi Raises \$200 Mn in Funding Round

SoftBank, GIC and Singapore's sovereign wealth fund led the Series C funding round.

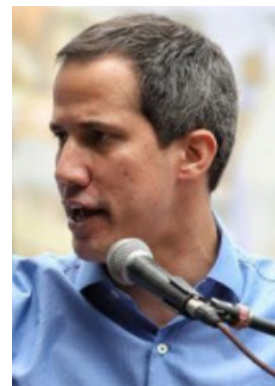
Page 2

ECONOMIC

Venezuela's Guaidó Must Be Recognized: U.K. Supreme Court

Britain's Supreme Court ruled that Venezuelan opposition leader Juan Guaidó must be recognized as the South American country's president in a case that will determine who controls \$1.9 billion worth of gold stored at the Bank of England.

Page 2



Guaidó // File Photo: Facebook Page of Juan Guaidó.

ECONOMIC NEWS

U.K. High Court: Venezuela's Guaidó Must Be Recognized

The United Kingdom's highest court ruled Monday that Venezuelan opposition leader Juan Guaidó must be recognized as the South American country's legitimate head of state in a case that will determine who controls \$1.9 billion worth of Venezuelan gold that is currently stored in vaults at the Bank of England. The Venezuelan Supreme Tribunal of Justice, which Venezuelan President Nicolás Maduro controls, had earlier declared that Guaidó's attempts to gain control of the assets were unlawful, but the U.K. courts are not likely to recognize that ruling, *The Guardian* reported. Both Maduro and Guaidó have appointed rival boards to Venezuela's central bank, and both have asserted that they have authority over the gold, the Associated Press reported. Maduro has said he wants to sell the gold to finance the country's health system in order to fight the spread of Covid-19 in the country. However, Guaidó wants to keep the gold reserves at the Bank of England and says Maduro's central bank board only wants to appropriate the assets, the *Financial Times* reported. The Bank of England refused to release the gold to Maduro after the British government and dozens of other countries backed Guaidó as Venezuela's legitimate leader in 2019. Monday's ruling by Britain's Supreme Court overturned a ruling by the Court of Appeal, which said in 2020 that although the British government recognized Guaidó as Venezuela's president, it also implicitly dealt with the Maduro government in practice, the *Financial Times* reported. The case will drag on, however, as the U.K. Supreme Court sent it back to a lower court to determine whether Guaidó's central bank board has any legal standing after Venezuela's Tribunal of Justice ruled that the opposition leader's appointments were unconstitutional, the AP reported. Guaidó welcomed Monday's ruling and said he would continue fighting for control of the gold. "We look forward to the opportunity in the next

phase of the litigation to demonstrate that the U.K. courts should not recognize decisions of the Supreme Court of Justice of the Maduro regime declaring null and void the appointments made by the legitimate president to the board of directors of the [Venezuelan central bank]," Guaidó said in a statement.

POLITICAL NEWS

Missionaries Escaped From Haitian Gang: U.S.-Based Aid Group

A group of missionaries that a Haitian gang had held captive for two months escaped from their captors, the U.S.-based aid group that they work for said Monday, the Associated Press reported. The 12 missionaries used the stars to navigate and walked overnight for several miles with an infant and other children to escape last week, officials of Christian Aid Ministries told reporters Monday at a press conference. The aid group announced last Thursday that the missionaries were free. "After a number of hours of walking, day began to dawn and they eventually found someone who helped to make a phone call for help," said the aid group's director, David Troyer. After the group reached safety, they were flown to Florida on a U.S. Coast Guard plane and were reunited with five other hostages who had been released earlier.

BUSINESS NEWS

Colombia's Addi Raises \$200 Million in Funding Round

Bogotá-based fintech start-up Addi, which helps customers make online purchases in installments raised \$200 million of debt and equity in a Series C funding round, Bloomberg News reported Monday. The start-up is bene-

NEWS BRIEFS

Protesters Demand Justice After Killings of 12 People in Western Guatemala

Hundreds of protesters blocked a highway in Guatemala with eight coffins on Monday to demand justice in the killings of a dozen residents of the village of Chiquix, the Associated Press reported. Eleven men, women and children as young as age 5 were killed, as was a police officer who was slain a day prior. Chiquix has been part of a years-long dispute over water and land access with the neighboring town of Santa Catarina Ixtahuacan, and negotiations between the two have yielded little results.

Mexican Gangs Turning Toward Synthetic Drugs: Defense Secretary

Mexican gangs appear to be turning toward producing a greater quantity of synthetic drugs such as fentanyl, the country's defense secretary, Gen. Luis Cresencio Sandoval, said Monday in releasing seizure statistics, the Associated Press reported. Seizures of fentanyl soared 525 percent over the past three years as compared to the three-year period prior to that, while seizures of naturally grown drugs such as marijuana and opium have fallen.

Brazilian Competition Watchdog Should Block Sale of Gaspetro: ANP

Brazilian hydrocarbons regulator ANP recommended that Cade, the country's competition watchdog, block Compass from buying Petrobras-owned gas company Gaspetro, Reuters reported Monday, citing Valor Econômico. ANP recommended that Petrobras allow bidders to give individual bids for each of Gaspetro's state-level concessions to make its bidding process more competitive. Compass, a unit of energy company Cosan, had said in July that it had agreed to buy a 51 percent stake in Gaspetro for 2.03 billion reais (\$353.54 million).

fitting from a wave of fintech investment in the region and is now valued at more than \$700 million. The funding round was led by GIC, SoftBank and Singapore's sovereign wealth fund, while an additional \$125 million in debt financing came mostly from Goldman Sachs. Addi connects customers with large online retailers such as Apple and Nike, as well as with small retailers, amid a boom of e-commerce shopping in the region, as Covid-19 pandemic lockdowns have kept people home. The start-up, which recently expanded into Brazil, is considering moving into Mexico and other markets, Santiago Suarez, Addi's CEO and co-founder told Bloomberg News. More than 500,000 customers and 1,000 retailers are using Addi's payment-processing platform, up from 30,000 clients and 20 merchants just a year ago. The start-up saw an opportunity to bring more people into the world of online shopping in a region where many people can't pay all at once, or don't qualify for credit cards. Now, consumers can use Addi's buy-now-pay-later platform to pay for purchases gradually over time. "As a consumer, you might get turned down, you might not qualify, there are all these things that can happen that make it very difficult [to shop online]," Suarez told Bloomberg News. "We're well on our way to building a new way to pay in the region."

Brazil Panel to Determine License Prices for Eletrobras

The Brazilian National Energy Policy Council is scheduled to determine new license prices today for state power utility Eletrobras, Reuters reported. The council will discuss the prices to operate hydroelectric power plants after the company's privatization, which is expected by mid-2022, as Eletrobras must pay the Brazilian government for the right to continue operations of the hydroelectric dams. Federal audit court Judge Aroldo Cedraz said during a court session that the payments should decrease from their estimated 23.2 billion reais (\$4 billion) to 20.3 billion reais, the wire service reported.

FEATURED Q&A / Continued from page 1

ment. In this scenario, it is important that the government strive to reach agreements with the different political forces represented in Congress. It should also be noted that the new Constitution—if approved—might propose a different structure for the country's legislature, which might entail a different type of relationship between the executive and legislative branches. The effect of Boric's presidency on the country's business climate will depend on whether the administration maintains its discourse of implementing reforms gradually and with fiscal responsibility. The appointment of the economic team, especially in the Ministry of Finance, will also provide important signs in this regard."

A **Jorge Heine, research professor at the Pardee School of Global Studies at Boston University and former Chilean cabinet**

member: "Boric's victory, which marks a turning point in Chilean history, can be traced back to the social uprising that took place on Oct. 18, 2019, and the strong reaction against the Piñera government's perceived lack of touch with the needs of the common people. The Frente Amplio, a coalition that arose from the student protests of 2011, read the tea leaves correctly. Since then, Boric played a leading role in channeling the demands from that uprising through the ongoing process of constitutional reform. He also expressed well the extant appetite for new approaches and public policies. This stood in contrast with the platform of José Antonio Kast, bent on turning the clock back to the 1980s, with policies perceived to be anti-women (his initial program proposed eliminating the women's affairs ministry, as well as banning all abortions, even in cases of rape and incest) as well as anti-LGBTQ. Yet, Boric will not have an easy job. Pension, health and tax reforms are at the top of his agenda, and for all of them he will need to work with Congress, where his coalition is in the minority. Much will also depend on

whom he appoints in key portfolios such as finance and home affairs. His inner circle lacks any kind of government experience, and markets would welcome the appointment of safe pairs of hands in key ministries. This would mean reaching out to the old technocrats of the Concertación, which Boric has spent much of the past decade denouncing. Boric's success will largely depend on getting right that delicate balancing act, between advancing his ambitious reform agenda, on the one hand, while broadening his coalition beyond the current forces in Apruebo Dignidad, on the other."

A **Mariana Zepeda, Latin America analyst at FrontierView:** "Gabriel Boric's win is the culmination of the social movement that

underpinned the 2019 protests, which highlighted the cracks in Chile's once much-lauded economic model, including economic inequality and poor social services. But it will be difficult for Boric to deliver. Not only will he need to strike agreements with a fragmented Congress that may push him to moderate his agenda, but he will also need to work in lockstep with the left-leaning constituent assembly currently drafting Chile's Constitution. Over the next few days, Boric is expected to announce his cabinet and initial plans. Firms should expect a clearer picture then on which version of Boric will be leading Chile: the brash upstart who vowed that Chile would become the grave of neoliberalism, or the more restrained politician who surfaced ahead of the runoff election and who has committed to gradual change and fiscal prudence. For now, markets have not responded positively to Boric's win; the IPSA stock market tumbled and the peso, already one of 2021's worst performing emerging markets currencies, fell 3 percent. Still, despite a highly polarized election, the opposition immediately accepted the runoff results, a reminder that Chile is one of the region's strongest democracies. While we do anticipate further erosion of Chile's

Continued on page 4

FEATURED Q&A / Continued from page 3

fiscal position and increased regulatory hurdles and tax burdens for firms under a Boric administration, we also expect Chile to emerge from this period of uncertainty with clear—albeit more burdensome—rules of the game, retaining its competitive edge among its regional peers.”

A **Peter M. Siavelis, professor of politics and international affairs at Wake Forest University:** “Gabriel Boric’s victory represents a stunning reversal of a worldwide trend of electing right-wing, nationalist, populist leaders. His victory rested on the highest voter turnout since the elimination of compulsory voting in 2012 and on higher margins of support from women, young people and the poorest neighborhoods of metropolitan Santiago. His government will set its sights on a tax overhaul and on reforming or eliminating many of the unjust social policy legacies of the Pinochet dictatorship in the areas of health care, pensions and education. Part of the key to Boric’s victory was moderating his discourse to attract centrist voters and to put to rest the Kast campaign’s portrayal of him as a radical communist whose policies would upend Latin America’s most successful economy. Financial markets tumbled following the election, with fears that Boric would end Chile’s market friendly policies. However, just as his second-round victory was based on a moderating discourse, his success in navigating policy change will depend on cobbling together coalitions in Chile’s fractured Congress, where moderates will determine the success of any legislation. In this sense, his major challenge is managing high expectations for equality-enhancing reforms while assuring powerful economic interests that Chile remains a good place to invest and do business. To strike this balance, his government needs to retain elements that have made the market model successful while softening its sharp edges that have left so many Chileans behind.”

A **Jenny Pribble, coordinator of global studies and associate professor of political science at the University of Richmond:**

“Gabriel Boric achieved a decisive victory in Chile’s runoff election on Sunday. Voter turnout increased significantly in the second round, providing a clear sign that José Antonio Kast’s far-right platform was out of touch with the vast majority of Chileans. In the first round, only 47.33 percent of eligible voters turned out, but on Sunday that number grew to 55.65 percent. Boric has promised to expand Chile’s welfare state and address multiple forms of inequality. He will face a fragmented Congress, made up of weak parties and coalitions. This will complicate the process of negotiating and approving legislation, but the president-elect has shown himself to be flexible and willing to make deals in the past. The response of opposition parties and leaders on Sunday evening was also positive, suggesting that they, too, are willing to work with the young president to find areas of agreement. Sunday’s results revealed the impressive strength of Chilean institutions—a fact that should encourage investors. The election played out without the drama witnessed in other countries in recent years. Kast conceded early, recognizing Boric’s legitimate victory and wished him well. The president-elect’s victory speech emphasized unity and the importance of safeguarding democracy. He said he was ready to work with the opposition and promised to seek consensus in policy formation. Boric’s victory protects the constitutional rewrite. This is important because the constituent process is an essential step for Chile to rebuild trust in institutions and address the continuing crisis of democratic legitimacy. For this reason, the new constitution is essential for the political and economic health of the country.”

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
ekuleta@thedialogue.org

Leticia Chacón
Reporter
lchacon@thedialogue.org

Mark Kennedy
Reporter
mkenedy@thedialogue.org



Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Santiago Cantón, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Selina Ho, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia Program
Manuel Orozco, Senior Fellow
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development

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

Subscription inquiries are welcomed at ebrand@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.