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FEATURED Q&A

Will Macri Find Support to Get His Reforms Approved?



Argentine President Mauricio Macri vowed to get several reforms passed after his Cambiemos coalition won big victories in last month's midterm elections. // File Photo: Argentine Government.

Q Following big victories for his Cambiemos coalition in Argentina's Oct. 22 midterm elections, President Mauricio Macri vowed to press ahead with tax, labor and retirement system reforms. Among the changes, Macri's government said it would slash corporate income taxes for companies that reinvest profits as part of its effort to spur economic growth. Will Macri be able to find enough support among lawmakers to get his reforms passed? Which parts of his agenda might his opponents successfully block? Would Macri's proposed reforms succeed in encouraging investment in Argentina and boosting economic growth?

A Rodrigo López, economist and sociologist at the Centro de Estudios Económicos y Sociales Scalabrini Ortiz (CESO): "The favorable electoral result for the government will allow it to pass labor, provisional and tax reforms. The new legislators take office on Dec. 10, in numbers that are more favorable to the government. In addition, the end of the year is when Argentina enters into a lethargic period that includes the end of the school year, Christmas and New Year's and summer vacations until March, when legislators resume their duties. During this time, there's an amnesty and a collective amnesia. This is the time when the government can push through its most unpopular measures. In addition, the government will continue to take advantage of the internal crisis among Peronists, so that it can continue to count on the support of the legislators opposed to Kirchnerism. A faction of Peronism is willing to vote in support of corporations. The government has tried to send messages by using the armed forces to arrest

Continued on page 3

TODAY'S NEWS

POLITICAL

U.S. Moves to Revoke TPS for Haitians, Central Americans

Immigrants who came to the United States illegally will no longer be shielded from deportation under the Temporary Protected Status program, the State Department said.

Page 2

BUSINESS

Mexico Makes Largest Onshore Oil Discovery in 15 Years

Mexican state oil company Pemex has discovered 1.5 billion barrels of crude equivalent.

Page 3

POLITICAL

Venezuelan Opposition Leader Guevara Seeks Refuge

Venezuelan opposition lawmaker Freddy Guevara sought refuge in the Chilean ambassador's residence in Caracas, amid fears that he could be imprisoned.

Page 2



Guevara // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuela's Guevara Seeks Refuge in Envoy's Residence

Venezuelan opposition lawmaker Freddy Guevara on Saturday sought refuge in the residence of the Chilean ambassador in Caracas amid fears that he could be imprisoned, Reuters reported. The development leaves the country's fracturing opposition with even fewer options to challenge President Nicolás Maduro. Venezuelan authorities had sought to strip Guevara of his immunity from

“This is an arbitrary and political decision that seeks to weaken a congress that has the full support of the people.”

— Julio Borges

prosecution on allegations that he instigated violence. Agents of government intelligence agency Sebin surrounded Guevara's house over the weekend, Reuters reported. Guevara, 31, heads the opposition Popular Will party and is the deputy leader of the country's National Assembly. He entered the Chilean ambassador's residence and requested protection, according to a statement by the Chilean government. The Maduro government's pursuit of Guevara was the latest in a series of moves against opposition leaders. Some have been banned from holding office, like former presidential candidate Henrique Capriles; others have been arrested or placed on house arrest, like opposition leader Leopoldo López; and others have been threatened with trial, like congressional leader Julio Borges, the wire service reported. In a statement Sunday, Borges condemned the threats made against Guevara. “This is an arbitrary and political decision that seeks to weaken a congress that has the full support of the people. Venezuela is hungry for food, but also freedom, justice and dignity,” Borges said

Sunday. Venezuelan government authorities ridiculed Guevara for seeking refuge. “Some people are very brave when it comes to calling for and provoking violence, destruction, and death,” Foreign Minister Jorge Arreaza said in a tweet. “But when justice is done, they flee with embarrassing cowardice.” This year, Guevara has been at the forefront of protests, including violent ones, that called for the release of jailed dissidents, as well as early elections, respect for the opposition-led legislature and humanitarian aid. The Chilean ambassador's residence in Caracas already has given refuge to five magistrates that were named by the National Assembly and subsequently threatened with imprisonment, as well as an opposition politician from the COPEI party. The magistrates last month fled to Colombia before finally flying to Santiago, where President Michelle Bachelet's government received them.

U.S. Moves to Revoke TPS for Haitians, Central Americans

More than 300,000 Central Americans and Haitians who live in the United States under a program known as Temporary Protected Status will soon see that status revoked and will no longer be protected from possible deportation, the U.S. State Department told Homeland Security officials last week, days before Homeland Security was set to announce whether the protection would be renewed, The Washington Post reported Friday. Some 57,000 Hondurans and 2,500 Nicaraguans are set to see their TPS designation expire in January. Though most living under TPS arrived in the United States illegally, they were exempt from deportation after Hurricane Mitch barreled through Central America in 1998. The status, which Congress established in 1990, is meant to protect foreign nationals from being deported to their countries amid instability caused by natural disasters or armed conflict. Status for migrants affected by Hurricane Mitch had been routinely renewed since then, in some cases due to subsequent natural disasters and insecurity. On Oct. 31, Secretary of State

NEWS BRIEFS

Mexican Gov't Report Identifies Failures in Fighting Corruption

The Mexican government identified serious failures in combating corruption in a classified report seen by Reuters ahead of an evaluation of the country's efforts to curb money laundering by the Financial Action Task Force (FATF), a global group of government agencies dedicated to curbing money laundering, the wire service reported Saturday. The report estimates that drug trade, tax fraud and other crimes are worth at least 1.13 trillion pesos (\$58.5 billion) per year in Mexico, and that the entire sum is highly susceptible to money laundering. On Thursday, the government said the FATF evaluation, which has not yet been made public, said Mexico had made “significant” progress in tackling money laundering since the body's last evaluation in 2008.

Colombia to Hold Large-Scale Renewables Auction

Colombian Minister of Mines and Energy Germán Arce Zapata on Friday announced the country's first large-scale solar, wind and biomass auction will be held before next May's presidential election, PV Magazine reported. More details of the auction and bidding rules were not provided. As of December 2016, 160 solar projects with a total capacity of 1.2 gigawatts were registered. All of those projects may eventually compete in the upcoming and in future auctions.

Uruguay's Central Bank Announces Digital Peso

Uruguay's central bank on Friday announced that it is rolling out a digitization of the country's currency, which it stressed is “not a cryptocurrency” like Bitcoin. The currency will remain the responsibility of the central bank. The pilot program will last six months, the central bank added.

FEATURED Q&A / Continued from page 1

Kirchnerists (the former energy minister and the former vice president). There will be a quick debate to make a show for the media. There will only be minor challenges to getting the legislation passed, with some articles being presented to simulate debate and agreement. One, for example, is the ridiculous 17 percent tax on wine, the national beverage and the main industry for many provinces represented in the Senate. Finally, the reforms will not stimulate investment or growth. On the contrary. The government believes that lowering taxes will benefit businesses, but in fact, it will only reduce both public and private demand.”

A Santos Goñi, board member of the World Affairs Council of Greater Miami and retired Argentine career ambassador:

“In order to further improve socio-economic standards and stimulate foreign investment, President Macri is promoting a ‘now or never’ supply-side economics reform package and other measures that would mainly satisfy the expectations of Argentina’s middle class and its corporate and political establishment. As he considers that Argentina’s growth will depend on ‘what the private sector, not the government, does,’ the individual taxpayer is slated to make up for the loss in corporate fiscal revenue, while the corporate sector is expected to increase private investment and create jobs. To achieve all this, he is engaging governors and trade unions and has included certain more populist policies to satisfy expected demands. In exchange for their shouldering the effort, he is also offering enhanced opportunities of political leadership to the newer generations of Argentine leaders across the political spectrum. Despite the opposition’s electoral losses and consequent disarray, the administration hasn’t won the seats necessary to pass its reform bills without their support. Nevertheless, and seizing the favorable momentum, it is proceeding to send the reform bills to Congress before the new legislators

are sworn in. It could also suspend the coming legislative recess by calling an extraordinary session to immediately debate and vote on passing the reform bills. President Macri has stated that things will improve definitively but slowly, ‘day to day,’ over many years. Therefore, passing the reform bills will also require popular acceptance of his gradualist approach, which in turn would determine its outcome in the immediate future.”

A Jimena Blanco, head of Americas Politics Research at Verisk Maplecroft: “Macri’s key focus is to move Argentina decisively away from investor pariah toward investor darling. To do this, he needs to reduce costs, streamline processes and rein in public spending to improve the country’s fiscal position. Macri needs to shift the onus of growth from the public to the private sector, which he hopes to stimulate with the proposed income tax incentives. We expect the initiative, if approved, to be well received by companies. However, the policy will not lack detractors, particularly from Kirchner’s opposition camp, which would want to see companies pay taxes and meet reinvestment targets too. On the labor front, Macri is focusing on the areas where Argentina’s risk profile is among the worst in the region. Our Labour Costs Index measures a combination of wage costs, labor productivity and other financial burdens on employers to determine the cost competitiveness of each nation’s labor market. Argentina has the fourth-worst performance in Latin America, after Venezuela, Honduras and Costa Rica. Change is a necessity, not an option. However, we also expect tensions with unions, social movements and activist groups to increase during the negotiations in Congress. We anticipate large-scale demonstrations, strikes and road blockades at the height of tensions, particularly in relation to labor reforms. Businesses will experience some operational disruption in large urban centers like Buenos Aires, Rosario, Córdoba, and La Plata. With that

Continued on page 4

Rex Tillerson sent a letter to acting Homeland Security Secretary Elaine Duke, informing her that the conditions in Central America and Haiti were no longer consistent with the justifications needed to grant immigrants Temporary Protected Status. Tillerson’s assessment has not been made public, but it was confirmed by several administration officials familiar with the matter. U.S. President Donald Trump’s administration has repeatedly said the program is meant to be temporary, and not a way to grant long-term residency to foreign nationals. They said natural disasters that occurred a decade ago should not be used to justify extending provisional immigration status.

BUSINESS NEWS

Mexico Announces Largest Onshore Oil Discovery in 15 Years

Mexican state oil company Pemex has discovered 1.5 million barrels of crude equivalent that could represent a total proved, probable and possible reserves of 350 million barrels—the largest onshore discovery in 15 years, President Enrique Peña Nieto announced Friday, the Financial Times reported. Mexico’s oil sector had previously seen a steady decline in oil output over the last 13 years. Peña Nieto said the find, in Veracruz State, could be brought onstream “relatively quickly” and that the find contained both oil and gas. The discovery is the third large find for Mexico this year, and it follows a landmark energy-sector reform enacted under Peña Nieto in 2013, which opened the energy sector to private investment after eight decades of it being under state control. Peña Nieto said the find has “great economic value” and is strategically located near existing infrastructure. The announcement comes a week after the state oil company announced a loss of \$5.6 billion in the third quarter after a three-quarter streak in the black. Pemex said the discovery is similar in size to the field associated with the Zama well that was announced in July, Reuters reported.

FEATURED Q&A / Continued from page 3

said, Macri has demonstrated that he is a skillful negotiator. Concessions in the social and labor reforms will have to be made. But we believe that the government has priced this in, and that the opposition's victories will be largely pyrrhic ones."

A Charles H. Blake, professor of political science at James Madison University's School of Public & International Affairs: "Paradoxically, Mauricio Macri's most visible critic—former Argentine President Cristina Fernández de Kirchner—might help him to do what he has been unable to do thus far: build a majority coalition in the legislature in pursuit of several market-oriented reforms. Although Macri's Cambiemos coalition improved its legislative position in the October midterm elections, it holds 42 percent of the seats in the Chamber of Deputies and just 36 percent of the Senate. Fernández de Kirchner's recent election to the Senate took place as part of her self-proclaimed effort to lead the opposition to the Macri government. Yet, she is not popular among the more numerous, alternative groupings of Peronist legislators who collectively form the second-largest force in the lower house and who comprise nearly 40 percent of the Senate (the largest bloc in the upper house). Macri

now believes that he has a better opportunity to recruit potential Peronist allies who share his disdain for Fernández de Kirchner. The question becomes: Will centrist Peronist legislators find greater purpose in building

Macri now believes that he has a better opportunity to recruit potential Peronist allies."

— Charles H. Blake

a new Peronist majority that dislodges her from center stage, or will they prefer to join or support Macri's coalition as a path toward attacking her policy legacy? It will be difficult to cut taxes while also achieving Macri's declared desire to reduce government deficits. With regard to investors, even if these fiscal reforms take place, it is hard to see a surge in equities investments, as the price to earnings ratio is currently high in Argentina."

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