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FEATURED Q&A

What Will Delegates Change in Chile's New Constitution?



Left-leaning representatives won the largest share of seats on the assembly that will draft Chile's new constitution. A ballot box from this month's vote is pictured. // File Photo: B1mbo via Creative Commons.

Q Approximately 70 percent of the seats in Chile's constituent assembly, which will be tasked with writing a new constitution, will go to left-leaning groups and independent delegates, most of whom would likely align with leftists, according to analysis of results from the May 16-17 vote. The country's stock market plunged more than 10 percent following the announcement, and the Chilean peso fell approximately 2 percent against the U.S. dollar. What do the results signal in terms of the most likely and significant changes to the constitution? To what extent is uncertainty lowering investment appetite in Chile, and how might expected changes affect the country's business climate in the longer term? How will the recent vote influence the presidential election, which is scheduled for November, and conversely, how might the country's next president influence the constituent assembly's work?

A Verónica Figueroa Huencho, associate professor at the Institute of Public Affairs at the University of Chile: "Chile is experiencing an unprecedented process. For the first time in our history, the constitution will be written by women, Indigenous peoples and citizenry representatives, not by a political and economic male elite. Chileans have voted in the majority for independents and left-wing parties. Undoubtedly, this generates uncertainty for this elite that, until Oct. 18, 2019 (when the 'social outbreak' occurred), had assured that Chile was an 'economic oasis.' However, that does not represent the majority of Chilean society. There is hope for issues such

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TODAY'S NEWS

POLITICAL

Miners Attack Police, Burn Homes in Brazil

The police were enforcing a Supreme Court order this week to protect Indigenous populations threatened by illegal miners who appear to have been emboldened by support for their industry from President Jair Bolsonaro.

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ECONOMIC

Unemployment Rate in Mexico Rises as More Look for Work

Labor force participation rose to 59 percent in April, up from 57.6 percent in March, although employment in the services sector is still running noticeably below pre-pandemic levels.

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POLITICAL

Argentina Sets New Covid Record

Argentina hit a new record of 41,080 cases of Covid-19 reported in a period of 24 hours. Science Minister Roberto Salvarezza said 12 million people will be vaccinated by the end of June.

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Salvarezza // File Photo: Argentine Government.

POLITICAL NEWS

Brazil: Illegal Miners Attack Police, Burn Homes in Village

Hundreds of illegal miners in Brazil this week attacked police and raided a village of the Mundurucu people, setting houses on fire including one that belonged to a prominent Indigenous activist, Maria Leusa Mundurucu, the Associated Press reported Thursday. The police were enforcing a Supreme Court order this week to protect Indigenous populations threatened by illegal miners who appear to have been emboldened by support for their industry from President Jair Bolsonaro, according to the report. The state prosecutor's office said miners tried to block a federal police operation by closing off entries to the municipality of Jacareacanga on Wednesday and trying to raid a police base where heavy equipment for the operation was kept. In related news, a group of illegal gold miners earlier this month fired shots at an Indigenous village in Roraima state in northern Brazil, AFP reported. A video of the attack, filmed by members of the Yanomami community, went viral on social media. Close to 20,000 illegal gold miners operate in the area.

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as inequality, exclusion and the asymmetries of power experienced by more than 80 percent of the population to be modified given the composition of the constituent assembly, where one of the critical issues to be discussed will be the role of the state. A state of social rights that is intercultural and in which natural resources such as water and minerals will be declared public goods seems to be the tendency. In addition, the state would have a new productive role that leaves behind the current subsidiary role but would remain in dialogue with private sector. Moving toward a fairer society requires a new social agreement and a new economic structure. This does not imply going back to

Argentina Sets New Covid Case Record

Argentina hit a new record of 41,080 cases of Covid-19 reported in a period of 24 hours, with 551 reported dead from the disease, the Ministry of Health announced Thursday, Télam reported. The figures brought the total number of reported cases to more than 3.6 million and 76,135 related deaths. Beds in intensive-care units are at 76.2 percent capacity at the national level, with Buenos Aires seeing a slightly higher percentage occupied, at 77.5 percent, the Health Ministry said. Technology and Science Minister Roberto Salvarezza estimated that the first "major achievement" of 12 million people fully vaccinated against the novel coronavirus would be reached by the end of June.

Blinken Plans Trip to Central America

U.S. Secretary of State Antony Blinken plans to travel next week for two days to Central America, The Washington Post reported. Blinken will attend a meeting in Costa Rica of the Central American Integration System, or SICA, a regional organization including seven

the 1960s, but rather identifying a development model consistent with the innovation needs that are required today. The business class has to understand that in this new governance structure, its role is not only to invest but also to create value, aligned with the priorities set by the state. It is imperative that we diversify our productive matrix. We cannot continue to depend on extractivism if it will not be environmentally or labor sustainable. The constituent assembly must function independently of the presidential election. Whoever is elected must align his or her program with the Constitution's mandate. We should look at this process with confidence and not jump to conclusions."

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NEWS BRIEFS

Brazil Declares Water Emergency in Five States

Brazil's government on Thursday issued a water emergency alert in five states, Folha de S.Paulo reported. Official records show that rainfall for the period from September last year through this month in the area has been the lowest in 91 years. The drought has lowered water reservoirs in areas of the country that rely on hydropower for electricity. Hydroelectricity represents more than 70 percent of all power generated in Brazil, although recent advances in solar, wind and other alternative power sources have lowered the country's susceptibility to droughts as compared to a decade ago. [Editor's note: See related Q&A in this week's Energy Advisor.]

Economic Activity in the Dominican Republic Rises

Economic activity in the Dominican Republic grew by 47.1 percent in April, the country's central bank said this week, Dominican Today reported Thursday. The figure contrasts with a drop of 29.8 percent registered in the same month last year, at the depths of the coronavirus pandemic. The central bank has "conservatively" forecast economic growth at 7 to 8 percent at the close of this year, according to the report. The construction, hospitality, free zones and mining sectors logged the strongest growth in April.

SoftBank Names Calicchio as Chief Strategy Officer

SoftBank Group International on Thursday named Nicola Calicchio as chief strategy officer for the company. Based in São Paulo, he will report to Marcelo Claude, CEO of the company. A former executive at McKinsey & Co., Calicchio will be responsible for sourcing and structuring strategic investments in Latin American companies at SoftBank, the company said in a statement.

Central American countries plus the Dominican Republic. The administration of President Joe Biden has focused on addressing the “root causes” of migration from Central America, pledging to spend \$4 billion in the three Northern Triangle nations of El Salvador, Honduras and Guatemala.

ECONOMIC NEWS

Unemployment Rate in Mexico Rises as More Look for Work

Mexico’s unemployment rate improved to 4.65 percent in April, state statistics agency INEGI said Thursday. The figure was above market expectations of 4.20 percent, however. “The labor market is showing gradual signs of improvement, but overall there is still significant slack in the system,” Goldman Sachs analyst Alberto Ramos told clients in a research note. One reason the unemployment rate has been moving up is that previously discouraged workers are now returning to the labor force as the coronavirus pandemic-related economic lockdowns subside. Labor force participation rose to 59 percent in April, up from 57.6 percent in March. Employment in the services sector is still running noticeably below pre-pandemic levels. “Overall, the viral pandemic induced sharp decline of real activity led to a major deterioration of the labor market backdrop and it will likely take some time for the labor market to recover the pre-COVID strength,” Ramos said. An estimated 7.7 million individuals of working age were still classified as outside the active labor force (did not work and did not look for a job) but were available to work, down from 8 million in March, or some 13 percent of the working age population outside the labor force.

SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Monday, May 31, in observance of the Memorial Day holiday in the United States. We will resume publishing on Tuesday, June 1.

IN FOCUS

Colombia’s Duque Vows ‘Fundamental Pact’ in Response to Ongoing Protests

By Anastasia Chacón González

WASHINGTON—Colombia is working on a “fundamental pact” in response to massive protests that have swept the country for a month, President Iván Duque said Thursday at an event co-hosted by the Inter-American Dialogue and the Wilson Center. In the meantime, he vowed “zero tolerance” for abuse by police officers and called for an end to blockades and “illegal” protests.

Demonstrations that began in late April against a now-cancelled tax reform proposal have extended into a second month and evolved into protests over a litany of grievances, including rising poverty and unemployment as well as police violence. This moment of social reckoning must not only be seen as a crisis, Duque said, but also as an opportunity. “2021 has to be the year of massive vaccination, of safe recovery, of attending the youth’s needs,” the president said.

A key part of the pact are initiatives that support the country’s youths. This includes Colombia’s “most ambitious program on public education,” which provides free public education for low-income and middle-class youth, Duque said. Additionally, the government will subsidize social security costs for companies or contractors that hire people between the ages of 18 and 28, and there will be an election in November of local, regional and national youth district councils that will be able to participate in policymaking, Duque added.

The president said the United States, through USAID and private companies, and multilateral institutions can support the plan by accelerating the creation of jobs for young people in Colombia. The United States can also help by supporting a policy of near-shoring, which would bring

outsourced work in Asia back to the Americas. This would generate employment, reduce immigration pressure at the U.S. southern border and help build lasting development impacts in Latin American countries, including Colombia, Duque added. “If there is a big commitment,

bipartisan [and] bicameral ... this is going to be transformational in our region,” he said.

Duque added that the United States can also help influence ratings agencies not to judge emerging markets with pre-pandemic indicators. “For the time being, we have to face this with extraordinary measures and extraordinary eyes ... because there is going to be a major need by emerging markets in terms of raising debt in the following years.”

S&P Global Ratings recently cut Colombia’s rating to junk status following the government’s withdrawal of its tax reform plan. Fitch rates Colombia at its lowest investment-grade rating, and Moody’s rates it at two notches above junk status. One more junk rating would lead to Colombia being automatically dropped from indexes used by investors, triggering automatic selling of Colombian assets.



Duque // Photo: Inter-American Dialogue.

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A **María Cristina Escudero, member of the 2019 technical committee to launch the constitutional process:** “From an ideological perspective, the composition of the constituent assembly is indeed progressive, but there is great diversity within it. There are radical leftists, moderate or social democratic positions, reformist liberals and ecological feminists, among others. The right, as any other group, does not have enough seats to garner the one-third of the votes needed to veto proposals, which need a two-thirds majority to be approved. The truth is that nobody has a third of the votes, and nobody is assured to get two-thirds support. If a sector decides not to engage in dialogue, it runs the risk of being excluded. However, there is a clear predominance of political and social forces that seek to significantly alter the status quo. It is not clear at all whether the different groups have homogeneous positions on the different constitutional issues. However, as discussions progress, the role of the state and the protection of social rights will be rethought. We will make a decision regarding the plurinational state, the incorporation of participation mechanisms, a review of the presidential system and an emphasis on the protection of the environment, among other issues. There are specific topics, such as water rights, that will also be part of the debate. If the constituent assembly manages to establish good mechanisms for dialogue both among its members and with citizens, the Chilean constituent process has the opportunity to respond to the problems that triggered it in the first place. The ideological and social diversity of the assembly’s members do strengthen the left’s options, but it has nowhere to grow if it does not succeed in seducing the traditional center-left sectors. This faction has not yet managed to propose a candidate, and consequently, the right has a chance in the November elections, depending on who it selects in the July

primaries. The electoral scenario is open, but it runs the risk of becoming polarized.”

A **Patricio D. Navia, clinical professor of liberal studies at New York University and professor of political science at Universidad Diego Portales in Chile:** “The election for the constitutional assembly in Chile confirmed the suspicion that Chileans are writing a new constitution for the wrong reasons. Candidates who promised an expansion of social rights overwhelmingly won. The leading concern among voters was pensions, health care and other safety net issues. Unfortunately, constitutions are much more than social policy. The big risk ahead is that Chileans focus exclusively on expanding social rights and not enough on how to pay for those new social rights. Moreover, as people are more concerned with the expansion of social rights, the constitutional convention can introduce a number of new institutional changes that might undermine prospects for long-term growth. Chileans want a constitution that promotes more equality, but they might end up getting one that makes everyone equally poor. Since the new constitution is likely to be long and full of additional protections for social rights, the likely scenario for after the constitution comes into effect (if Chilean voters approve it in the second half of 2022) is one of additional uncertainty. A long constitution is inevitably a contradictory constitution. That means that there will likely be an intense judicialization process after the new constitution is in effect in order to determine which of the many contradictory constitutional principles should take precedence. Constitution writing processes always generate uncertainty. This time around, the uncertainty should remain after the new constitution is written.”

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

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