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FEATURED Q&A

Are Voters Likely to Approve Pension Reform in Uruguay?

At the same time that they select their next president, Uruguayans will decide on an overhaul to the country's pension system. The Legislative Palace in Montevideo is pictured. // File Photo: Felipe Restrepo Acosta via Creative Commons.

Q In addition to choosing a new president, Uruguayans will vote on a pension reform referendum on Oct. 27. The proposed constitutional amendment, which Uruguay's largest labor union is pushing, would lower the retirement age to 60 from 65 and effectively grant the state a monopoly over the country's social security system. What effects would the pension referendum have on Uruguay's economic profile and social safety net? How is the issue affecting the presidential race, and who are the main supporters and opponents of the reform? How do the leading candidates plan on addressing the social, political and economic effects of the referendum?

A Juan Andrés Moraes, political science professor at Universidad de la República in Montevideo: "Since the third wave of democratization, Uruguay has been the only Latin American country without significant signs of party system dealignment. While there have been increasing signs of fragmentation and polarization, Uruguay's politics largely operates through institutionalized parties with clear policy preferences. In this context, a proposed constitutional amendment lowering the retirement age from 65 to 60 and granting a state monopoly over personal retirement funds—currently managed by private agents—has become a major campaign issue. The referendum is promoted by the labor union movement (PIT-CNT), which has a clear leftist orientation and informal ties to the Frente Amplio, the left-wing party that governed the country from 2005 to 2019 and is a strong contender in the upcoming election, according to most public opinion polls. The Frente Amplio has allowed its voters to decide freely on

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Death Toll in Gang Attack on Haitian Town Rises to 115

The death toll from last week's gang attack on the Haitian town of Port-Sondé rose to 115 as authorities have been able to enter more areas and have discovered more bodies.

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Argentina's Banco de la Nación to Issue Debt on Int'l Markets

Argentina's largest bank plans to issue debt on international markets for the first time since 1993.

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Ecuadorean President Replaces Energy Minister

Ecuador's president on Wednesday dismissed his energy minister, Antonio Gonçalves, replacing him with Environment Minister Inés Manzano, who was named to the position on an interim basis. The country is facing power shortages.

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Manzano // File Photo: Ecuadorean Government.

POLITICAL NEWS

Death Toll in Gang Attack on Haitian Town Rises to 115

The death toll from last week's gang attack on the town of Pont-Sondé in central Haiti has risen to 115 as authorities have discovered more bodies, a local official told the Associated Press on Wednesday. Authorities still have not been able to access all parts of the town, so the death toll is likely to continue escalating, Myriam Fièvre, the mayor of the nearby town of Saint-Marc, told the wire service. The attack by the Gran Grif gang was among the deadliest massacres in Haiti's recent history. Gang members arrived on canoes in Pont-Sondé in order to catch residents by surprise and rampaged through the town, killing people including infants, young mothers and the elderly, the AP reported. Survivors have raised questions about why police did not prevent the attack after the gang posted warnings on social media that it planned the target the town, which is located in Haiti's Artibonite region. The gang had accused residents of Pont-Sondé of colluding with members of a self-defense group in order to limit gang activity in the area, according to Haiti's National Human Rights Defense Network. Since the attack, more than 6,200 people have fled Pont-Sondé and have settled temporarily in Saint-Marc and other nearby areas, the AP reported. Most of the people who fled are staying with relatives, but more than 750 of them have taken refuge in a church, a school and in a public plaza in Saint-Marc, according to the United Nations' International Organization for Migration, the AP reported. The residents who fled Pont-Sondé are just a small portion of those who have fled violence in Haiti. "Some 700,000 people have been displaced by violence, and major roads connecting the capital and the rest of the country are blocked by gangs," Renata Segura, director of the Latin America and the Caribbean Program at International Crisis Group, told the Latin America Advisor in a **Q&A** published Monday.

ECONOMIC NEWS

Ecuador's President Dismisses Energy Minister Amid Crisis

Ecuadorean President Daniel Noboa dismissed his energy minister on Wednesday, the government said in a statement, Reuters reported, as the country continues to navigate a swath of drought-induced power cuts. Energy Minister Antonio Gonçalves was first appointed in July and was the third official to hold the post since Noboa's term began in November 2023. He will be replaced, on an interim basis, by current Environment Minister Inés Manzano, who is now tasked with finding near-term solutions to Ecuador's hyper-reliance on hydroelectricity in the power sector, according to a statement that Noboa's office released on X on Wednesday. Earlier in the day on Wednesday, Gonçalves acknowledged that the length of nightly power cuts to customers of Ecuador's state-operated electrical grid would need to be expanded from eight to 10 hours, Bloomberg News reported. The latest drought, which is the worst to hit Ecuador in more than six decades, has worsened problems within an already fragile energy infrastructure system by drastically lowering water levels at hydroelectric dams, which are responsible for 72 percent of the nation's electricity supply, according to the most recent government data. In August, the government contracted a 120-megawatt offshore fuel oil barge for emergency electricity production, but that barge has yet to offset the electricity shortfall caused by the recent decline in hydroelectric power, according to Bloomberg News. "It's impossible to find a perfect solution in the

Gonçalves was Ecuador's third energy minister since Noboa's term began last November.

NEWS BRIEFS

U.S. Bars Ex-Ecuadorean President, VP From Entry Over 'Significant' Graft

The U.S. State Department announced Wednesday that it was barring former Ecuadorean President Rafael Correa and former Vice President Jorge Glas from entering the United States "due to their involvement in significant corruption during their time in public office." Correa and Glas "abused their positions ... by accepting bribes, including through political contributions, in exchange for granting favorable government contracts," the State Department said. The order also bars the spouses and children of Correa and Glas from entry.

Argentine Lawmakers Fail to Override Milei's Veto of University Funding Hike

Argentina's Congress failed to override President Javier Milei's veto of a bill that would have increased public university funding to match the country's inflation rate, Reuters reported on Wednesday. Milei vetoed the legislation in September, causing protests in the Buenos Aires area. University salaries have lost approximately 40 percent of their purchasing power since Milei took office, according to Reuters.

Mexico's Congress Takes up Bill to Increase State Control of CFE, Pemex

Mexico's Chamber of Deputies has begun discussing legislation to reclassify state-owned electricity provider CFE and oil company Pemex, Bloomberg News reported on Wednesday, in President Claudia Sheinbaum's first major initiative to reshape the energy sector. The bill would enshrine Pemex and CFE's role as "public companies" acting in the interest of the Mexican government and ensure that state entities control 54 percent of all domestic energy supplies.

short term," energy analyst Sebastian Abad told Bloomberg News on Wednesday.

BUSINESS NEWS

Argentina's Banco de la Nación to Issue Debt on Int'l Markets

Argentina's largest bank, state-owned Banco de la Nación, plans to issue debt on international capital markets for the first time since 1993, Bloomberg News reported on Wednesday. Newly appointed bank president Daniel Tillard told the news service that Banco de la Nación is preparing multiple moves in line with President Javier Milei's pro-market austerity reforms, including laying off 1,000 employees—6 percent of the bank's total work force—in order to ensure that the bank is sufficiently solvent to begin selling debt on international markets. The bank is also considering a partial initial public offering (IPO) that would reduce the state's ownership stake to 50 percent, according to Bloomberg News. "It is feasible to do it, but it depends on congressional approval," Tillard said regarding a partial IPO. Banco de la Nación's president told Bloomberg News that his goal is for the bank to resemble Banco do Brasil, Latin America's second-largest bank by total assets, which also operates as a private company that is approximately 50 percent owned by the central government. Banco de la Nación is Argentina's largest bank by a large margin, with its $30.4 billion in total assets nearly three times greater than the second-largest bank, Banco Galicia, according to data from Argentina's central bank.

The bank is planning to lay off 1,000 employees, 6 percent of its work force.

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the amendment to avoid open conflict with the labor union. However, presidential candidate Yamandú Orsi and prominent party leaders, including José Mujica, have stated that they believe the reform is misguided. In contrast, the incumbent government defends a reform passed in 2020 and opposes the proposed referendum, citing potential fiscal and legal consequences if voters endorse the labor union's proposal. As it stands, no party officially supports the union's proposal, and recent public opinion polls indicate that the amendment is unlikely to gain majority support in the upcoming election. Predictably, the social security reform that the labor union las proposed has become a tool for the incumbent center-right coalition to polarize the electorate against the Frente Amplio, which finds itself entangled due to its informal connections with the union."

A **Arturo C. Porzecanski, global fellow at The Woodrow Wilson International Center for Scholars and research fellow at the Center for Latin American & Latino Studies at American University:** "The latest polls show that those who definitely intend to vote in favor of the amendment, plus those who are inclined to approve it, constitute a bare majority of 51 percent, down from a peak of two-thirds of likely voters at the start of the year. Therefore, the amendment could still pass, in which case it would have immediate as well as long-term impacts. It would instantly create a black hole in the government's budget and damage Uruguay's high creditworthiness, because the amendment also includes a provision that monthly pensions must be hiked to, and no longer can be any lower than, the monthly minimum wage. It would also undermine the budget in the longer run because there aren't any spare funds to provide pensions to those who would be retiring five years ahead of schedule. It has been estimated that to cover the cost of the amendment, the government would have to double the corporate income tax rate, or quadruple employer contributions to employee pensions, or hike the value-added tax rate from 22 to 35 percent. Passage would also lead to a litigation nightmare and the undercutting of Uruguay's prized tradition of respect for private property rights, because the intended state seizure of individual retirement accounts would run roughshod over them. The issue is not affecting the presidential race because all three of the candidates have disavowed this referendum. They have no plans to address the negative fallout of its potential approval, because threatening to hike taxes isn't a smart thing to do during a political campaign. The amendment is the brainchild of the powerful PIT-CNT labor confederation, whose members generally support the left-of-center Frente Amplio party. They were hoping that putting forth a populist initiative like this one would do the Frente's presidential, congressional and municipal candidates a favor, but so far the polls don't validate their dangerous gamble."

A **Nicolás Saldías, senior analyst for Latin America and the Caribbean at the Economist Intelligence Unit (EIU):** "If the proposed plebiscite were to pass, it would introduce into Uruguay's constitution reforms that would bind the next government to onerous fiscal outlays in the short term and significant legal and reputational risks in the medium to long run. As a result, the plebiscite has become a hot button in this year's highly competitive election. This is odd given that leader of the left-wing opposition Frente Amplio, Yamandú Orsi, and the leaders of the constituent parties of the center-right governing coalition oppose the plebiscite. Despite their pleas, polling on support for the plebiscite is mixed with some pollsters showing a slight majority support the plebiscite, while others show a more uncertain electorate split into thirds. If the plebiscite were approved (not our expectation at the EIU) it would be a blow to the next govern-

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ment on a number of fronts. The first is fiscal: tying the value of the basic pension to the minimum salary would be immediate and would undermine the fiscal consolidation plans of the next government. It would also give the government a strong incentive to no longer raise the minimum salary with downstream effects for both low-income workers and pensioners. It would also seriously harm Uruguay's reputation for policy stability and put its investment grade rating at risk as the new outlays would lead to even higher public debt. The second impact would be political. The challenge of accommodating the new spending would dominate politics in 2025 and possibly beyond, crowding out other reforms that the country needs."

A **Francisco Panizza, professor in Latin American and comparative politics at the London School of Economics and Political Science:** "The pension reform referendum that will take place simultaneously with the first round of the presidential and legislative elections on Oct. 27 is potentially more consequential for the country's political and economic future than the presidential contest. All the presidential candidates are against the proposal, which was promoted by the powerful PIT-CNT trade union umbrella organization and is only supported by the Communist and Socialist parties, which are part of the Frente Amplio, whose presidential candidate Yamandú Orsi, is against the reform. A triumph for the reform will undermine whoever wins the presidential contest and strengthen the more radical factions within the Frente Amplio. Economically, the triumph of the reform risks collapsing the social security system, destabilizing public finances and creating macroeconomic and legal uncertainty. Alarm bells about the reform have come from all sectors of the political system, including from within the Frente Amplio. A public document signed by a group of 111 economists and other professionals close to the Frente Amplio, including the future economy minister of a prospective Frente Amplio administration, Gabriel Oddone, states that the reform 'would have unjust and regressive consequences, and would generate enormous risks for the Uruguayan economy.' And in a recent public interview, president Lacalle stated that the approval of the reform 'would put at risk the social security system and many other things.' Considering the apocalyptic warnings coming from across the political system, it is extraordinary that, while unlikely, a triumph of the reform cannot be discarded."

A **Juan Bogliaccini, political science professor at the Universidad Católica del Uruguay:** "The referendum, if approved, will impose important challenges over the short and long term to the national treasury and also to policy planning, as funding needed to cover the mandates of the referendum will not be available for other policy areas. Therefore, it will both constrain the budget and the policy space available for the coming decades. As the support for the referendum is scarce in the political system and its opportunities for being passed are slim, the referendum poses political challenges and opportunities for the different political actors during the campaign. Only the labor confederation (PIT-CNT) and some sectors within the Frente Amplio are in favor. Even the PIT-CNT has some unions within it that did not support the initiative. The center-right government and most of the Frente Amplio are against the initiative. The issue of social security needs a much wider accord over the long-term, which includes making the system more egalitarian, updating contributions to social security from labor and employers to OECD standards (as a yardstick for comparison at least) and incorporating instruments for the state to incentivize the middle classes to save for retirement. As Uruguay's growth model is wage-led, it is key to boost private savings for the long term as part of the social security mandates for governments."

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