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Latin America Advisor

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Friday, March 13, 2026

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FEATURED Q&A

What Will a Major Labor Reform Mean for Argentina?



Argentine President Javier Milei won a victory last month with lawmakers' approval of his labor reforms. // File Photo: Gage Skidmore via Flickr [CC BY-SA 2.0](#).

Q Argentina's Senate on Feb. 27 gave final legislative approval to a sweeping labor reform bill; the legislation, which President Javier Milei backed and the lower chamber previously passed, makes it easier for employers to hire and fire workers, reduces mandatory employee benefits and allows for a 12-hour workday. The measure has drawn opposition from Argentina's largest trade unions, which organized a general strike on Feb. 19 in protest of it. What will the new labor regulations mean for Argentina's economy? To what extent does it address risks for prospective foreign investors in Argentina? How might the labor reform affect the country's political dynamics looking ahead to next year's elections?

A Lara Goyburu, executive director of Management & Fit in Buenos Aires: "The labor reform is designed to reduce hiring frictions in the formal economy, lowering dismissal uncertainty, enabling more flexible working hours and narrowing a set of mandatory benefits. In principle, that can improve labor demand and productivity in sectors that are currently trapped between high non-wage costs and high informality. However, the macroeconomic payoff is not automatic; it depends on the broader stabilization path, enforcement and whether litigation risk effectively declines in practice. Public legitimacy is the key constraint. In our latest Management & Fit national survey, nearly half of Argentine households report difficulties covering monthly expenses (49 percent). Awareness of the bill is very high (around 90 percent), yet opinion is split with a negative tilt (51.6 percent oppose it and 43.2

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TODAY'S NEWS

POLITICAL

Sheinbaum Vows 'Plan B' Following Defeat of Electoral Overhaul Bill

Mexican President Claudia Sheinbaum on Thursday vowed to present a "Plan B" following Congress' defeat a day earlier of her electoral reform package.

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ECONOMIC

Brazil Scraps Federal Taxes on Oil to Offset Surging Prices

Brazilian President Luiz Inácio Lula da Silva on Thursday signed a decree to eliminate federal taxes on oil products for the rest of this year as oil prices surge amid the war in Iran.

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POLITICAL

Cuba's Díaz-Canel Acknowledges Talks With U.S.

Cuban President Miguel Díaz-Canel this morning acknowledged that his government is in talks with the United States, which has been exerting intense pressure against the island's economy.

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Díaz-Canel // File Photo: Brazilian Government via Flickr [CC BY 2.0](#).

POLITICAL NEWS

Cuba's Díaz-Canel Acknowledges Talks With United States

Cuban President Miguel Díaz-Canel acknowledged this morning that his government is in talks with the administration of U.S. President Donald Trump, The New York Times reported. "These talks have been aimed at finding solutions, through dialogue, to the bilateral differences between our two nations," Díaz-Canel said in a speech broadcast on state media, the newspaper reported. Trump said last week that his administration has been negotiating with Cuba, but this morning's speech by Díaz-Canel marked Cuba's first public acknowledgment of the talks. "They want to negotiate, and they are negotiating with [Secretary of State] Marco [Rubio] and myself and some others, and I would think a deal would be made very easily with Cuba," Trump told Latin American leaders last Saturday during his "Shield of the Americas" summit in Florida, Reuters reported. Díaz-Canel's acknowledgment this morning

of the talks followed the Cuban government's announcement on Thursday that it would release 51 people from the country's prisons, the Associated Press reported. Cuba's Ministry of Foreign Affairs did not identify who it would release, but it said the decision came amid a spirit of goodwill and positive relations with the Vatican, the wire service reported. The ministry said all of the prisoners set to be released "have served a significant part of their sentence and have maintained good conduct in prison." Nonprofit group Prisoners Defenders has said there were 1,214 political prisoners in Cuba as of February, the AP reported. The latest moves by Cuba come amid pressure by the United States, which has blocked oil shipments to the island, worsening an already severe energy shortage. [Editor's note: See related [Q&A](#) in the Feb. 19 issue of the Advisor.]

Sheinbaum Vows 'Plan B' After Defeat of Electoral Reform

Mexican President Claudia Sheinbaum on Thursday vowed to present an alternative to the

NEWS BRIEFS

Hundreds of Parties Register for Haiti's First Election Since 2016

At least 280 political parties filed before Thursday's registration deadline for Haiti's first general election since 2016, the Associated Press reported. Haiti's Provisional Electoral Council has tentatively scheduled elections for late August, but armed gangs still control approximately 90 percent of the territory of the capital city, Port-au-Prince. The council said Thursday that it will publish a final list of qualified parties by March 26; it has not disclosed its criteria for qualification, the wire service reported.

Repsol, Eni Sign Deal to Expand Natural Gas Field Off Venezuelan Coast

Spanish oil major Repsol and Italy's Eni have signed an agreement with Venezuela's government to jointly expand an existing offshore natural gas project in the South American country's waters, acting President Delcy Rodríguez said Thursday, Reuters reported. While state-run PDVSA signed off on the agreement, the firm is not part of the consortium operating the expansion of the Perla field, marking the first new deal to be given preferential regulatory treatment under Venezuela's recently amended hydrocarbons law.

Mexican REIT Fibra MTY Raises \$500 Million to Grow Industrial Portfolio

Mexico-based real estate investment trust Fibra MTY has raised approximately \$500 million to grow its industrial portfolio, Bloomberg News reported Thursday. The company, which is headquartered in Monterrey, priced 638.3 million real estate trust certificates at 13.50 pesos each, the news service reported, citing a filing. The offering was Fibra MTY's seventh follow-on sale in the past decade.

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percent support it). The dominant perceived impact is 'loss of workers' rights' (36.5 percent), and a majority believe large companies will benefit the most (53.5 percent). This framing matters for political durability and social peace. For foreign investors, the bill addresses one of Argentina's chronic barriers, rigidity and exit costs, potentially improving predictability for staffing and operating decisions. But it does not eliminate the main country risk variable: policy reversals and conflict. Looking to 2026, if the political conversation consolidates around 'jobs versus rights,' the reform could become a central wedge issue, mobilizing unions and parts of the opposition while also reinforcing the government's pro-reform base. That said, the current landscape still lacks a unified opposition leader or project capable of fully

channeling broader discontent into a single electoral alternative, which may limit how far this polarization translates into a consolidated challenge. Overall, the investment signal is positive on micro rules, but still contingent on political sustainability."

A **Pilar Conci, managing director of Trentino Global:** "Argentina's labor reform could ease structural labor market constraints, but its economic effect will depend on broader conditions. The changes aim to lower the cost of formal hiring and reduce legal exposure for employers. This has long discouraged businesses from hiring, as well as prospective foreign investors. However, labor reform alone is unlikely to generate large-scale job creation. Employment

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electoral reform she proposed but Congress rejected a day earlier, saying she would present a “Plan B” on Monday, Bloomberg News reported. A majority of the Chamber of Deputies voted in favor of the reform, but the result fell short of the two-thirds majority needed to pass it. The overhaul would have reduced the cost of elections and also restructured how Congress and elections are organized. The reform also would have reduced public funding for political parties and cut the number of seats in the Senate, the Financial Times reported. Sheinbaum has said the reform would save money and also rescind unnecessary privileges that some officials enjoy, Bloomberg News reported. “The fact that it wasn’t approved isn’t a defeat. I’m very satisfied,” Sheinbaum said Thursday, the news service reported. “It’s very important to see who voted to reduce privileges,” she added. Opponents of the reform have said the changes would pose risks to Mexico’s democracy, weaken smaller parties and help the ruling party to consolidate power.

ECONOMIC NEWS

Brazil Scraps Federal Taxes on Oil to Offset Surging Prices

Brazilian President Luiz Inácio Lula da Silva on Thursday signed a decree eliminating federal taxes on the import and sale of oil products in the country for the rest of this year amid an escalating global energy emergency caused by conflict in the Middle East, Bloomberg News reported. To offset the cost of the tax relief, which is estimated at \$5.8 billion by the end of this year, Lula also announced a 12 percent levy on oil exports leaving the country. The move could affect state-run Petrobras, Brazil’s largest exporter of petroleum products, Reuters reported. The firm reported nearly \$3 billion in net profit for the fourth quarter of 2025, Reuters reported. Petrobras’ CEO, Magda Chambriard, had told Bloomberg News in an interview on Monday that the company, which controls the country’s fuel markets, had no immediate plans to hike prices for Brazilian

THE DIALOGUE CONTINUES

What Does the War in Iran Mean for Latin America?

Q **Global markets continue to re-coil in the wake of the outbreak of large-scale military conflict on Feb. 28 between Iran, and Israel and the United States in the Persian Gulf. The price of Brent crude oil has increased significantly since the beginning of the conflict, with Iranian military forces announcing the closure of the Strait of Hormuz and the administration of U.S. President Donald Trump signaling that “Operation Epic Fury” could last for several weeks. The New York Times reported. What does the conflict mean for Latin America? How are spiking global fuel prices affecting Latin America’s largest producers and importers of oil and gas? How will the conflict affect U.S. attention toward other foreign-policy priorities, namely Cuba and Venezuela?**

A **Michael Shifter, senior fellow and former president of the Inter-American Dialogue:** “Nearly two weeks into the war between the United States and Israel with Iran, there is no discernible sign that Washington’s focus on the Western Hemisphere has diminished as a result. The Trump administration is showing that it can do many things, in different parts of the world, at the same time. Whether the array of actions it is undertaking related to Latin America and the Caribbean are a product of a well thought out strategy that effectively advances U.S. national interests and addresses the region’s main priorities, however, is less clear. To be sure, inevitably the escalating tensions

consumers amid spiking global oil prices. Brent crude oil has traded between \$90 and \$100 per barrel this week amid the ongoing closure of the Strait of Hormuz, through which roughly one-fifth of global oil and gas supplies normally travel. Oil has risen by more than 30 percent since the beginning of conflict between Iran

and uncertainties triggered by the U.S. administration’s turn to the Persian Gulf have resulted in a temporary diversion of resources and attention by senior officials. The diversion could last longer depending on how the situation unfolds in the Middle East. But the administration’s convening of a dozen like-minded regional leaders on March 7 for the Shield of the Americas summit illustrates the continuing frenetic pace of high-profile acts in the hemisphere. Trump hasn’t stopped making business and trade deals, waging military attacks on boats allegedly carrying drugs in the Caribbean and the Pacific, and strongly pressuring governments on China’s role in the region. The main effect of the Iran war in the region is economic, particularly the sharp jump in global energy prices adding to inflationary pressures. For oil producers such as Venezuela, the roiling energy markets could improve government revenues and trade balances, while oil-importing countries in Central America and the Caribbean will face higher fuel costs, straining public finances. Argentina and Brazil in particular could be affected by rising fertilizer and transportation costs. Still, while the war could provide short-term benefits for some countries and pose risks for others, it highlights how vulnerable the region is to global shocks.”

EDITOR’S NOTE: The comment above is a continuation of the Q&A published in Thursday’s issue of the Advisor.

and Israel and the United States on Feb. 28. The oil shock is expected to complicate Brazil’s central bank’s fight against inflation, Reuters reported. The central bank’s rate-steering committee is set to meet next week to discuss lowering the benchmark Selic interest rate from a 20-year high of 15 percent.

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typically expands when companies expect stronger demand and macroeconomic stability. Argentina continues to face volatility, productivity gaps and a large informal sector that limits the impact of labor cost reductions. Some multinational companies have put their Argentine operations up for sale. So the reform may facilitate hiring, but its broader impact will depend on sustained economic growth. The legislation is part of a broader pro-market policy shift that includes the 2024 RIGI incentive plan for large projects. This week, President Milei was in New York promoting investment opportunities across the energy, mining, agriculture and technology sectors. In a geopolitical context that is challenging for emerging markets, Argentine officials hope to signal policy stability and translate reforms into investment commitments, despite the country's track record of policy reversals. Political dynamics could also shape investor decisions. Unions, now challenging aspects of the labor reform in the courts, have lost some leverage but remain influential. They're aligned with Peronism, the main opposition force. Milei's strong position after last October's midterm elections offers some reassurance for investors, but the possibility of a Peronist return to power in 2027 may create uncertainty about whether market-oriented policies would have continuity."

A **Martín Planes, public policy, risk and strategy manager at Cefeidas Group:** "The labor reform has become the first significant milestone of the new National Congress, which was elected in the 2025 midterms and which Milei has described as the 'most reformist Congress in history.' In his state of the union address, the Argentine president confirmed this was the first in a series of reforms he will push throughout this year, the discussions of which will

undoubtedly influence the political climate through next year as the presidential election approaches. With the goal of increasing certainty and protections for investors and business owners to boost registered employment, the reform incorporates the possibility of paying salaries in foreign currency, creates an alternative severance mechanism, provides a calculation mecha-

“**The scope of the new regulation remains blurred in the short term...**”

— **Martín Planes**

nism for severance pay in labor lawsuits and establishes a 'time bank' to compensate for overtime. Furthermore, the initiative limits the right to strike by expanding the list of essential services, eliminates the automatic extension of collective bargaining agreements, establishes a framework for platform workers and promotes a labor regularization program—critical in a country where, according to the national statistics institute, 43.3 percent of the country's workers are informal. However, the scope of the new regulation remains blurred in the short term, as its applicability will be shaped by legal actions already expected from unions and members of Milei's political opposition who intend to limit the reform's impact. While the support garnered during the bill's legislative approval creates a favorable framework, it remains to be seen whether the government has the executive capacity to ensure its enforcement."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

LATIN AMERICA ADVISOR

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

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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

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