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FEATURED Q&A

Will Chile's Failed Constitution Vote Bring More Unrest?



Chilean President Gabriel Boric, pictured voting on Sunday, pushed for acceptance of a new constitution, which voters rejected. // Photo: @gabrielboric via Twitter.

Q Chileans on Sunday overwhelmingly rejected a proposed 388-article constitution that was drafted following protests in 2019 and 2020 in which demonstrators blasted social inequality in the country and demanded better public services.

While supporters of the proposed constitution have said it would bolster social rights and environmental protections, its detractors have said it would hinder investment and crimp economic growth. What are the main reasons behind voters' rejection of the proposed constitution? What will now result from the vote? Who are the biggest winners and losers following the referendum?

A Jorge Heine, research professor at the Pardee School of Global Studies at Boston University, and a former Chilean government cabinet minister: "Ever since the social uprising of Oct. 18, 2019, and despite the pandemic and a recession, Chile followed a strict institutional path to reach a fairer and more inclusive new social pact. Why this seemingly counterintuitive outcome? A critical turning point was the decision by the Chilean Congress to allow independent candidates to run in the equivalent of party lists for the constitutional convention. This led to the election of vast numbers of delegates with no experience, little expertise and no accountability to party discipline. They reveled in identity politics (one of them, who faked having cancer, was almost elected president of the convention), took months to start drafting a new charter, and otherwise made fools of themselves. By the time they came up with a text, the damage had been done, and the convention had lost much credibility. The far-too-long text (388 articles),

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TODAY'S NEWS

POLITICAL

Chile's Boric Shuffles Cabinet Following Defeat on Constitution

Chilean President Gabriel Boric shuffled his cabinet on Tuesday, appointing more centrist ministers, following voters' rejection of the proposed constitution that his administration had supported.

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BUSINESS

Mercedes-Benz to Lay Off 3,600 Workers in Brazil

German automaker Mercedes-Benz said it would lay off 3,600 employees in a restructuring of its truck and bus chassis plant in Brazil's São Paulo state.

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ECONOMIC

IDB to Provide Argentina With Additional \$400 Million

The Inter-American Development Bank, led by Mauricio Claver-Carone, said Tuesday that it will provide Argentina with \$400 million in additional loans this year.

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Claver-Carone // File Photo: Inter-American Development Bank.

ECONOMIC NEWS

IDB, Argentina Agree on \$400 Million in Additional Financing

The Inter-American Development Bank said Tuesday that it had agreed to provide Argentina an additional \$400 million in financing this year, adding that talks could yield more than \$4 billion more in financing for the South American country. The \$400 million in additional financing this year will consist of \$200 million more in two previously announced loans. "Together, these loans would enable the IDB to increase support for Argentina from \$800 million to \$1.2 billion in the final quarter of 2022," the IDB said in a statement. The announcement of the increase in financing came as IDB President Mauricio Claver-Carone met with Argentine Economy Minister Sergio Massa. In addition to the \$1.2 billion, the IDB said its "financing potential for the rest of 2022 could include additional programs totaling \$725 million." It added that, if approved, the lender could provide Argentina with \$2.37 billion in total this year. Massa said discussions were underway that could lead to at least \$1.8 billion in financing next year. [Editor's note: See related [Q&A](#) in the Aug. 11 issue of the Latin America Advisor.]

POLITICAL NEWS

Chile's Boric Shuffles Cabinet Following Constitution Defeat

Chilean President Gabriel Boric on Tuesday announced a cabinet shuffle, appointing more centrist ministers, a move that came two days after voters delivered a decisive rejection of a new constitution that his administration had supported, local newspaper *Diario Financiero* reported. The cabinet shuffle was the first of Boric's administration, which began in March,

and it involves six posts: the ministers of the interior, education, health, energy, social development and science, as well as the secretary general of the presidency, the role that oversees the president's legislative agenda. Among the major changes announced was the naming of Carolina Toha, a center-left politician who was previously mayor of Santiago and government minister under former President Michelle Bachelet, to replace Izkia Siches as interior minister, *BBC News Mundo* reported. Ana Lya Uriarte replaces Giorgio Jackson as secretary general; Jackson, a longtime associate and former student leader alongside Boric, moves to the social development ministry. The changes signify a return of the traditional center-left to the government, *El País* reported. "This cabinet change is not just for protocol or for a photo. The political committee, which is the leadership of our government, also changes here," Boric said after announcing the changes, *Télam* reported. On Sunday, 62 percent of voters rejected a proposed new constitution, just two years after 80 percent of Chileans voted to draft a new charter, *Reuters* reported. Boric has said he will work with center-right and center-left parties that opposed the proposal to draft a new text.

BUSINESS NEWS

Mercedes-Benz to Lay Off 3,600 Employees in Brazil

German automaker Mercedes-Benz said on Tuesday it will lay off 3,600 employees in a restructuring of its truck and bus chassis plant in Brazil's São Paulo state, *Reuters* reported. The company said it plans to outsource elements of its operations in the city of São Bernardo in an effort to confront cost pressures. It will also shift focus to its "core business," which includes the production of bus chassis and trucks, the news service reported. Mercedes-Benz will lay off 2,200 workers from the São Bernardo plant, while an additional 1,400 employees will not have their temporary con-

NEWS BRIEFS

Energy Dispute Not on Agenda for U.S.-Mexico Talks: Ebrard

Mexican Foreign Minister Marcelo Ebrard said on Tuesday that a dispute with the United States over his government's energy policies is not on the agenda for bilateral talks between senior government officials next week, *Reuters* reported. U.S. Secretary of State Antony Blinken and Ebrard are due to meet for a High-Level Economic Dialogue on Sept. 12 in the Mexican city of Monterrey. In July, the U.S. Trade Representative called for dispute settlement talks under the United States-Mexico-Canada free trade deal, arguing Mexican energy policies discriminated against U.S. companies.

Apple to Appeal Brazil Ban on Sales of iPhones Without Charger

California-based tech company Apple said on Tuesday it will appeal a Brazilian government order banning it from selling iPhones without a battery charger, *Reuters* reported. Brazil's Justice Ministry fined Apple 12.275 million reais (\$2.36 million) and ordered the company to cancel sales of the iPhone 12 and newer models, in addition to suspending the sale of any iPhone model that does not come with a charger. The ministry argued that the iPhone was lacking an essential component in a "deliberate discriminatory practice against consumers."

Argentine Government Announces Increase in Price of Biofuels

Argentina's government on Tuesday announced an increase in the price of biofuels that are blended with petroleum-based fuels, *EFE* reported. The Energy Secretariat raised prices for biodiesel that is blended with diesel as well as for bioethanol made from sugar cane and corn, which are combined with gasoline.

tracts renewed as of December. The company's main union said its leaders will be meeting this week to discuss the situation. Supply chain and production hurdles have weighed on Brazil's manufacturing sector this year. In April, Mercedes-Benz put more than 5,000 workers on collective vacation in two plants in Brazil due to the shortage of semiconductor chips, Reuters reported. Looking ahead, momentum for the manufacturing sector in Brazil, though resilient, will likely moderate, Alberto Ramos, and economist at Goldman Sachs, told clients Monday in a research note. The closely followed Markit Manufacturing PMI index for Brazil declined 2.2 percent in August, driven by declines in output, employment, new orders, new export orders and a backlog of work indices, Ramos said.

Fitch Downgrades State-Owned Petroperú's Ratings

Fitch Ratings on Tuesday announced that it has downgraded the credit ratings of Peruvian state-owned oil company Petroperú to below investment grade. The ratings agency said that it had downgraded the company's long-term foreign and local currency issuer default rating as well as its senior unsecured notes to "BB+" from "BBB-" due to "a weakening in Petroperú's liquidity, persistently high leverage, insufficient government support and uncertainty pertaining to its ability to maintain its credit lines." As of June 30, the company's unaudited financials showed it had a cash position of just \$32 million, while \$1.2 billion of its \$2.9 billion of uncommitted revolving credit lines were under review by lenders, the ratings agency said. Fitch also stated that its ratings watch for Petroperú has been maintained at negative due to uncertainty about whether or not the company will provide audited financials by the end of September and be able to maintain revolving credit lines. In May, Petroperú said it would present an audit of its 2021 financial statements by September, after having previously failed to do so by May, Reuters reported.

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would have abolished the Chilean Senate, weakened the judiciary and introduced a serious imbalance in the political system with an all-powerful Congress of Deputies, and it listed a veritable smorgasbord of rights. It was a disaster in the making. Because leftist independents had a two-thirds majority in the convention, they ignored all proposals from right-wing delegates, sowing the seeds for what happened on Sunday. The big loser is the government of President Gabriel Boric, who came out strongly in favor of the new text, and, with barely six months in office, runs the risk of becoming a lame-duck president. The big winner is the Chilean right, which once again has veto power on the way forward to a second attempt at a new charter."

Alexandra Huneeus, professor of law and director of the Global Legal Studies Center at the University of Wisconsin-Madison Law School: "In October 2020, Chileans voted by an 80 percent majority to hold a constitutional convention. Last Sunday, they voted by more than 60 percent to reject the draft text submitted by the convention. What explains this dramatic failure? Many point to the draft itself, and it is true that the text had problems. But so does the current constitution, including its origin in the Pinochet dictatorship. The failure is one of politics, and in particular the politics of the convention itself. The draft was in many ways a powerful response to the social demands for a more equal society that led to its drafting in the first place. But the convention's delegates taken together stood to the left of the country as a whole. Further, more than half were independents not traditionally aligned with a political party. As a result, the convention committed to progressive new ideas such as creating a plurinational state but was unable to convince the country. Chileans, the vote suggests, are committed to a creole national identity rather than a multicultural one. Sunday's victors celebrated with empana-

das and cueca, a traditional creole dance. The biggest losers are President Boric, six months into his term; Chile's Indigenous peoples, who deserve constitutional recognition but will now see their interests set back; and Chileans overall. The country was thrown into political turmoil starting in 2019 with massive protests. Now the uncertainty will continue. President Boric is pushing for a new path to replace the 1980 constitution. This time, Congress and the political parties would mediate the process. This is the best option. The challenge will be convincing the right-wing parties to participate given their resounding victory."

APeter DeShazo, visiting professor of Latin American, Latino and Caribbean Studies at Dartmouth College and former U.S. deputy assistant secretary of state for Western Hemisphere affairs: "Chileans lost an opportunity to strengthen national consensus through the process of drafting a new constitution, but Sunday's plebiscite vote may offer another chance. While in 2020, more than three-quarters of voters favored replacing the 1980 constitution, on Sunday an overwhelming majority rejected the document that the constitutional convention produced. The contrast was stark between initial euphoria for a new constitution that would address Chile's problems and the subsequent lack of citizen confidence in and support for both a drafting process that was dominated by the left—and the final text that emerged from the convention. The vote was a severe defeat for President Boric and especially for the most left-wing elements of his government, who were deeply invested in approval of the constitution. The unexpectedly large margin of the 'reject' vote, which triumphed in 98 percent of Chile's administrative districts, is triggering a reset of the political landscape that may favor more moderate elements—including those within the Boric coalition. Boric is committed to reinitiating the constitutional process, but he

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will need buy-in from center/left and center/right political forces. Public opinion is in sync; recent polling indicated that there is strong majority support among voters for developing a new constitution in the wake of Sunday's result. Drafting a new constitution capable of winning broad support could, therefore, be a mechanism to promote greater national unity—even in an atmosphere of intense political competition—if the lessons from the plebiscite are learned and applied.”

A **Naomi Roht-Arriaza, distinguished professor of law emeritus at the University of California, Hastings:** “The vote was as much about the long, complicated, badly written text—that few people read in its entirety—and the disinformation campaign about its contents, as it was about a rejection of specific ideas. The supposed radical nature of some of the changes was wildly exaggerated. The manipulation of the draft's proposal for a ‘ plurinational ’ nation to whip up opposition follows the playbook of the right in other countries that have tried to reset their relationship with Indigenous groups. This, despite increased recognition worldwide that Indigenous systems of justice exist and are widely used, and that the Chilean proposal—for autonomous courts with Supreme Court oversight—is a fairly standard, non-radical way of linking formal and informal systems. Similarly, the environmental provisions of the draft were also less radical than they appeared; the ‘rights of nature’ idea has been approved by courts in Colombia, New Zealand and elsewhere. The danger now is that without the momentum of 2019, any new process will stall or degenerate into endless wrangling that will consume the Boric administration. It's important that the government pursue its agenda independently of whatever entity takes up round two. Chile should learn from Tunisia, another country that attempted broad, inclusive constitutional reform after widespread protests. By the time a final draft was completed, support for the reform gov-

ernment had dissipated, the economic and social reforms at the heart of the revolution were unenacted, and the population was exhausted and disillusioned. As several analysts told me, it would have been better for Tunisians to aim for less sweeping reforms at the constitutional level and spent more time on ordinary legislation that directly responded to the widespread protests of 2011. The same may be true of Chile.”

A **Patricio Navia, clinical professor of liberal studies at New York University and professor of political science at Universidad Diego Portales in Chile:** “Voters’ overwhelming rejection of the proposed constitution should be interpreted as a rejection of extremism in Chile. With an 85 percent turnout, more than 62 percent of Chileans voted against the proposed constitution. The vote is a defeat for the far-left constitutional convention that chose to write a foundational text. It was also a defeat for President Boric. Six months into his leftist government, Boric actively campaigned for the constitution to be approved and now owns that defeat. The good news is that Chileans made it clear that they want to replace the Pinochet-era constitution, but they do not want to chart a new course for their country. They want a new constitution that allows the country to move forward on the path of market-friendly economic growth and builds a stronger social safety net with wider protection of social and consumer rights. The Boric administration will have to swallow its pride and abandon the claim that Chile needs to change course and adopt a more state-centered economic model. If Boric hears the message that so eloquently Chileans gave the political class on Sunday, he can preside over a period of moderate and gradual reforms that strengthen Chile's democracy and make it more inclusive. If he champions moderate reform policies, he will succeed in replacing the Pinochet-era constitution, and he will lead the country to a better place.”

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Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Megan Cook

Reporter
mcook@thedialogue.org



Rebecca Bill Chavez, President
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
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Lisa Viscidi, Nonresident Senior Fellow

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Subscription inquiries are welcomed at ebrand@thedialogue.org

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