

LATAM PULSE

This week, trade-related uncertainty in **Mexico** will continue as President Andres Manuel Lopez Obrador (AMLO) increasingly opts for loyalty over technical expertise. In **Brazil**, there was no clear winner in yesterday's presidential debate less than a fortnight before the run-off vote. **Chile** marks three years since the mass protests and violent unrest that led to an agreement for the constitution to be re-written, a process that remains incomplete. Meanwhile, if proof were needed that **Argentina's** governing Peronist movement is divided, it should come today. Finally, the political crisis that erupted in **Ecuador** in June has led to a series of agreements between the government and indigenous groups, though tough issues remain unresolved.

Mexico

A trade dispute within the United States-Mexico-Canada Agreement (USMCA) over the discriminatory effects of energy policy on US and Canadian companies remains at the political forefront this week. Not only has one of the last remaining cabinet moderates—Economy Minister Tatiana Clouthier—recently left the government, but late last week her deputy and the main interlocutor for Mexico in the dispute with the US and Canada, Luz Maria de la Mora, was summarily replaced, while Clouthier's successor Alejandro Encinas has very limited trade experience. Reports indicate that up to a dozen other senior trade officials have also either departed or been moved in the last ten days. Clouthier has still not fully explained the reasons for her departure, though she has described the Energy Ministry headed by Rocio Nahle as uncompromising. Mexican intransigence in the dispute suggests that a USMCA panel is a matter of when not if. President Andres Manuel Lopez Obrador (AMLO) claimed without any evidence on 14 September that the US would not request the establishment of a dispute panel, which would determine whether Mexico has violated the trade agreement and potentially allow the complainants to impose retaliatory tariffs.

Brazil

Poll numbers should not change much following the first televised presidential debate of the run-off campaign, which took place on 16 October. The debate involved sections in which candidates posed questions to each other. Former president Luiz Inacio Lula da Silva seemed to control the discussion when the theme was the pandemic and President Jair Bolsonaro when the theme was corruption. Former CarWash corruption judge and dissenting Bolsonaro justice minister Sergio Moro was in the studio and was seen advising his former boss. Polls have remained stable since the 2 October results, with Bolsonaro trailing Lula by 5-7 percentage points (pp) in total votes. Lula has improved his voter preference in the Northeast where he already led by close to 40pp, which tracks broadly with a four-point improvement in the lowest income segment of the electorate. Bolsonaro has improved significantly in the electorate that earns more than ten minimum wages. Lula now wins only in the Northeast region. Bolsonaro's rejection rate remains at 51% while Lula's has increased from 39 to 48% in the last month.

Chile

Nicholas Watson
Managing Director
+44 20 7186 8875
nicholas.watson@teneo.com

Mario Marconini
Managing Director
+55 (11) 3709 2699
mario.marconini@teneo.com

18 October is the three-year anniversary of the major social unrest that eventually led to a cross-party political agreement to write a new constitution, a process that still remains incomplete. Based on the latest Cadem weekly tracking poll, public opinion is looking strikingly downbeat about the direction the country has taken over the last three years, such that 53% believe that protests could return. Police are certainly on high alert ahead of the anniversary. The Cadem poll also shows that Chileans are increasingly revising their view of the 2019 protests. A majority of the public now see the action of security forces as proportional whereas at the time it was widely seen as excessive. Meanwhile, President Gabriel Boric's popularity has sunk to its lowest ever level of 27% approval versus 65% disapproval, considerably below the historical norm for this early stage of a presidential term. However, there remains clear majority support (68%) for a new constitution.

In more immediate terms, the question of how to go about devising a new constitution remains the principal political challenge facing political parties. Opposition parties grouped together under the *Chile Vamos* (CV) banner have said that an agreement on how to proceed will not be reached this month despite government pressure to seal a deal as soon as possible. Some within the governing coalition have grown more open to the idea of a new constituent assembly that is 50% elected and 50% made up of subject-matter experts, but this is far from settled. A scheduled change to the presidency of the lower house of Congress could also prove a distraction to the cross-party talks. The position is set for rotation on 21 October, but it is not clear that Karol Cariola of the Communist Party (PC) has the necessary support. Cariola was a leading figure in the defeated "yes" campaign for the constitutional referendum.

Argentina

Peronists celebrate the so-called Day of Loyalty every 17 October. This year's event offers yet more evidence of how divided the governing Peronists are amid persistent economic difficulties. There will be three different rallies organized by different factions of the governing coalition and unions. They will be protesting against the International Monetary Fund (IMF) and demanding more government action to offset inflation, which stands at 66.1% in the first nine months of this year. Economy Minister Sergio Massa has just announced a rise to the threshold at which income tax becomes payable and is promising more price controls as he continues in his efforts to avert a full-blown economic crisis without taking drastic action that would cause economic pain and risk blowing up the government coalition.

Ecuador

Talks between the government and indigenous groups concluded on 14 October with 218 agreements across ten issue areas encompassing energy and natural resources, security, and education. The parties will now meet on 19 October to set up a panel designed to monitor follow-up and ensure agreements are implemented. While there are plenty of issues on which the two sides failed to find common ground and the leader of the Confederation of Indigenous Nationalities of Ecuador (Conaie), Leonidas Iza, remains very critical of President Guillermo Lasso, the agreements should help avoid a resumption of protest action for now. The most significant unresolved issue is how to target fuel subsidies, an issue that goes to the heart of the political problems of recent years. Subsidies represent a costly drain on public finances but are too sensitive to withdraw or significantly lower—at least when the government is relatively weak, as this administration most certainly is.

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Nicholas Watson
Managing Director
+44 20 7186 8875
nicholas.watson@teneo.com

Mario Marconini
Managing Director
+55 (11) 3709 2699
mario.marconini@teneo.com

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