

LATAM PULSE

This week, **Chile**'s constitution-writing process moves to a new stage amid uncertainty as to whether the current draft can win approval without major modifications. In **Mexico**, presidential favorite Claudia Sheinbaum is towing the line of President Andres Manuel Lopez Obrador (AMLO) on tax reform. Revenue-raising measures should go before **Brazil**'s Congress this week. **Ecuador** is less than a fortnight from its snap election with voter indecision apparently still high, while **Argentina** holds its second candidates' debate ahead of the 22 October election.

Chile

The Constitutional Council will return the draft text of a new constitution to the Expert Commission on 7 October. The Commission will review the draft and can make "observations" on the text that the Council must then approve or reject. If the Council cannot agree on the Commission's proposed amendments, mixed commissions comprising members of both drafting bodies would then have an opportunity to work out compromise solutions. The next few weeks therefore represent the last chance to hammer out a more balanced, moderate draft that is acceptable to a majority of parties – and the public at large, which must ratify or reject the new text in a referendum scheduled for 17 December. However, another scenario remains possible: if the Republican-dominated Council refuses to accept modifications put forward by the Commission, the draft may not advance to a referendum and the whole process could collapse before December.

Mexico

One of the principal uncertainties over the next president is whether they would undertake fiscal reform, and if so, in what timeframe. Both Claudia Sheinbaum and Xochitl Galvez remain tight-lipped about their plans should either of them win the presidency in 2024. However, comments last week by Sheinbaum indicate that she does not see fiscal reform as urgent but instead believes a combination of improving tax collection efforts, anti-evasion measures, government austerity, and investment inflows stemming from the nearshoring phenomenon would be enough to relieve pressures. Sheinbaum's positioning attests to her alignment with her mentor, President Andres Manuel Lopez Obrador (AMLO), who has doggedly avoided any tax reform. Whether this position would prove practicable is unclear. Efficiency savings from government austerity tend to offer diminishing returns, while the need to maintain (or even increase) social spending represents a significant pressure point.

Brazil

The House should vote on measures that increase revenues following a major protest obstructing all voting last week. The issues for the lower chamber were (1) an impasse between the government and congress on the appointment of a new leadership in the federal savings bank, and (2) progressive rulings by the Supreme Court on matters of strong interest to the conservative caucus such as the demarcation of indigenous lands, the legalization of abortion, and personal drug use. It is likely that the House will achieve a breakthrough this week and vote on the taxation of offshore and special funds, as well as a senate-modified bill on a legal framework for loan guarantees. At the senate, the plenary should vote on the government flagship debt renegotiation program (*Desenrola Brasil*).

Ecuador

A ban on publishing polls takes effect from 5 October, ahead of the 15 October presidential run-off election. Most polls put Daniel Noboa of the center-right Democratic National Action (ADN) ahead of Luisa Gonzalez, who is running for the leftist

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Citizen Revolution (RC) party of former president Rafael Correa (2007-2017). However, one Cedatos poll published last week put voter indecision as high as 38%. Whether the tepid 1 October candidates' debate between Noboa and Gonzalez could change voting intentions is unclear; Noboa failed to match his debate performance ahead of August's first-round vote, while Gonzalez largely held her own though she made several unfunded promises. Noboa distanced himself from previous comments in which he had suggested he might dip into the Central Bank (BCE) reserves.

Argentina

The second and final presidential candidates' debate takes place on 8 October ahead of the election on 22 October. There was no obvious winner in a cagey first debate on 1 October in which the candidates mostly spoke to their own supporters. The ultra-libertarian Javier Milei reined in his rage; Sergio Massa held his own despite coming under attack over his management of the economy; and Patricia Bullrich managed to overcome a shaky start. A scandal that broke over the weekend may have more of an impact than the debate. The scandal centers on Martin Insaurralde, chief-of-staff to Buenos Aires provincial governor Axel Kicillof, one of *Kirchnerismo's* leading lights; pictures have emerged of Insaurralde, who is close to Vice-President Cristina Fernandez (CFK), enjoying a lavish vacation on a yacht in the Mediterranean. Insaurralde has since stepped down but the exposé risks denting support for Kicillof's re-election bid in the country's key electoral district and possibly amplifying the anti-establishment sentiment that Milei has exploited so successfully.

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