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## FEATURED Q&A

# Is Peru's Political Instability Holding Up PPK's Agenda?



Peruvian President Pedro Pablo Kuczynski, who took office in July of last year, has seen his approval rating fall amid the country's economic weakness and a series of labor strikes. // File Photo: TV Perú.

**Q** Peruvian President Pedro Pablo Kuczynski, also known as PPK, and opposition leader Keiko Fujimori, whose Popular Force Party controls Congress, emerged from a two-hour meeting last month expressing optimism that they can work together. Fujimori proposed the meeting after Congress forced Kuczynski's finance minister to step down. How well is Kuczynski, who took office a year ago, navigating Peru's politics and making progress on his agenda? What actions does Kuczynski need to take in order to smooth relations with opposition lawmakers? Which parts of his agenda has Kuczynski been most successful at advancing, and what have been his biggest political challenges?

**A** Julio Carrión, director of the Center for Global and Area Studies at the University of Delaware: "PPK has now been in office for a little over a year, and the balance sheet is not entirely positive. He has been unable to confront a hostile opposition because it is not entirely clear what he wants to accomplish. He faced an economic slowdown earlier this year, caused largely by El Niño-like conditions, and although there is a gradual recovery, the feeling is that his handling of the economy has been less than impressive. There is a debate as to whether the policy of reducing the fiscal deficit adopted by his first finance minister, now departed, affected investment and slowed down the economy. Others criticize the lack of structural reforms to help reduce Peru's overreliance on commodity prices. There has been some progress in dealing with the scourge of citizen insecurity, but there is still so much to do until the population can actually see a

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## TODAY'S NEWS

### POLITICAL

## U.N. Removes Final Container of FARC Weapons

President Juan Manuel Santos was on hand to lock the final batch of weapons at a demobilization site in northern Colombia.

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### ECONOMIC

## U.S., Mexico, Canada Opening NAFTA Talks

The three signatories to the 1994 North American Free Trade Agreement open renegotiation talks today in Washington. Negotiators have expressed hopes of concluding talks by the end of the year.

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### BUSINESS

## CEO of Brazil's JBS May Resist Calls to Step Down

In a conference call with investors, Wesley Batista presented a plan to reduce the company's debt, but made little mention of a plea deal that he and his brother, former JBS Chairman Joesley Batista, made with prosecutors.

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Wesley Batista // File Photo: JBS.

## POLITICAL NEWS

## U.N. Removes Final Batch of Weapons of Colombia's FARC

The disarmament process following the Revolutionary Armed Forces of Colombia, or FARC, rebels' peace accord with the country's government officially concluded on Tuesday as the United Nations removed the final batch of FARC weapons from a demobilization camp in La Guajira province, Reuters reported. The camp in the town of Fonseca was one of 26 demobilization sites around the country. Former rebels finished handing over their individual



Colombian President Juan Manuel Santos (R) on Tuesday locked and handed over the key to the final weapons container to a U.N. representative. // Photo: Colombian Government.

weapons at the end of June, and the arms have since been locked up in containers guarded by U.N. observers, the Associated Press reported. "Building peace is like building a cathedral, and today we are laying the foundation," said President Juan Manuel Santos, who was on hand to lock the final container holding weapons once used by the FARC. In addition to 8,112 guns, the United Nations collected 1.3 million bullets, 3,000 grenades, 1,000 land mines and 22 tons of explosives, said Jean Arnault, the head of the U.N. mission in Colombia, the AP reported. "This puts the country on the path to a new future," said Arnault. The weapons are to be melted down and turned into monuments to be placed in Bogotá, Havana and New York, BBC News reported. In addition to the weapons handed over to the United Nations in the transition zones, the FARC has also given U.N. officials the locations of hundreds of caches of weapons, including some in remote jungle

locations, BBC News reported. Although U.N. monitors have emptied some of the caches, others have been difficult to reach. A United Nations mandate to retrieve the weapons expires on Sept. 1, and after that date, it will be the responsibility of Colombia's armed forces to remove the weapons. Colombian troops will be deployed to locations that the FARC has vacated, and the government will provide those areas security, infrastructure and medical services, said Santos. The government is "committed to the safety of ex-combatants and communities in the zones that endured the armed conflict," he said. [Editor's note: See [Q&A](#) on the FARC's transition to a political party in the Aug. 11 issue of the Advisor.]

## Peña Nieto's Office Denies Campaign Received Bribe Cash

The office of Mexican President Enrique Peña Nieto on Tuesday denied that bribes from Brazilian construction conglomerate Odebrecht were funneled into his 2012 presidential campaign, Reuters reported. Brazilian newspaper O Globo reported over the weekend that Peña Nieto's confidant and the former head of state oil company Pemex, Emilio Lozoya, had allegedly received bribes from Odebrecht between 2012 and 2014, citing a statement from

**Former Pemex CEO Emilio Lozoya has been accused of receiving bribes from Odebrecht.**

a former Odebrecht executive. Civil society group Mexicans Against Corruption produced a further report, citing bank documents, alleging that payments had been made to Lozoya while he was serving as a senior official for Peña Nieto's campaign. "It is absurd, irresponsible and in bad faith to link the campaign of President Enrique Peña Nieto in 2012 with the investigations that are carried out today

## NEWS BRIEFS

## Venezuela Assembly Orders Protesters Tried in Civilian Courts

Venezuela's powerful new constituent assembly on Tuesday ordered that protesters arrested in this year's wave of anti-government protests be tried in civilian, rather than military, courts, Reuters reported. The decision from the super-body, which has declared itself superior to all other branches of Venezuela's government, followed complaints from human rights groups and the United Nations about protesters being tried in military courts.

## Pence Praises Argentina During Stop in Buenos Aires

U.S. Vice President Mike Pence during his visit to Argentina praised the South American nation, saying it was a model for a prosperous Latin America, and he vowed more trade partnerships between the two countries, The Washington Post reported. Pence is visiting Argentina as part of his week-long trip to South and Central America. He also singled out Venezuela during his speech, saying "Venezuela is sliding into dictatorship, and ... the United States will not stand by as Venezuela crumbles."

## Colombia's Economy Shows Better Growth Than Expected

Colombia's economy showed better-than-expected growth during the second quarter, due in part to a rebound in construction and retail output, the Financial Times reported Tuesday. The economy grew by 0.7 percent in the second quarter, compared to a 0.3 percent contraction in the first quarter. GDP grew 1.3 percent in the second quarter year-on-year, up from the 1.2 percent growth rate year-over-year in the first quarter. Construction was Colombia's best-performing sector during the second quarter.

in the Odebrecht case," the president's office said in a statement. The office added that Mexican electoral authorities had supervised campaign spending and had not detected any illegal activity. Last year, Odebrecht admitted it had paid \$10.5 million in bribes in Mexico, though the details of the bribes have not been made public. On Tuesday, lawmakers from the Morena political party, which was founded by leftist opposition presidential candidate Andrés Manuel López Obrador, filed a complaint with the Mexican attorney general's office, asking that Lozoya be investigated for the corruption allegations. "They gave him the chance to administer a state company and he used it for illegal enrichment," said Morena lawmaker Rocio Nahle. Lozoya has denied wrongdoing.

#### ECONOMIC NEWS

## U.S., Mexico, Canada Opening NAFTA Renegotiation Talks

The United States, Mexico and Canada today open renegotiations of the North American Free Trade Agreement. During his campaign, U.S. President Donald Trump called NAFTA "the worst trade deal in history," saying it caused the rise of the U.S. trade deficit with Mexico and led manufacturing jobs to migrate there, the Voice of America reported. The session that begins today in Washington will be the first of a series, and negotiators have expressed hopes of concluding talks by the end of the year.

#### BUSINESS NEWS

## CEO of Brazil's JBS May Resist Calls to Step Down

The CEO of the world's largest meatpacking company, Brazil's JBS, on Tuesday appeared to signal that he may resist calls to step down

#### FEATURED Q&A / Continued from page 1

difference. Most critics seem to agree that PPK's deepest wounds are self-inflicted. He has populated his cabinet with technocrats who are competent at their specific jobs but lack the political ability to sell their policies. PPK's prime minister, Fernando Zavala, lacks the political heft and instincts to steer a government that is frequently checked by an aggressive opposition. Furthermore, he also occupies the post of minister of finance, which obviously does not help in focusing all the attention on political matters. PPK created unnecessary tensions among his supporters and allies by sending mixed signals about pardoning former president Alberto Fujimori. Not surprisingly, the bump in the polls he received a few months ago because of his handling of the coastal El Niño has evaporated, and his approval now sits at 34 percent."

**A** Carlos Arata, partner in the corporate practice at Rubio Leguía Normand in Lima: "The president was able to gather a very competent team of technicians and professionals, but he has not been very well prepared to deal with the difficulties of being a politician, especially in an environment in which the opposition, with a huge majority in Congress, has been attacking the government since it took office. Despite that

from his post, despite having admitted to participating in a multi-million dollar bribery scheme in which the company paid off politicians and government officials in order to keep rotten meat on the market, The Wall Street Journal reported. In the first conference call with investors since the corruption scandal came out in May, Wesley Batista presented an optimistic plan to reduce debt and issue shares in the United States next year and made little mention of the plea deal that he and his brother, former JBS Chairman Joesley Batista, made with Brazilian prosecutors in which they said they had bribed nearly 2,000 Brazilian politicians as they sought to grow their business. Meantime, JBS's second-biggest shareholder,

and unforeseen events like El Niño and the Lava Jato scandal, which has distracted the government's attention, many aspects have shown progress from what the previous government left. Indeed, although still a huge

“ It seems that PPK's politics are working, and more improvements should be seen in the coming months.”

— Carlos Arata

problem, the population is seeing progress on security and safety; measures to fight and control corruption are somehow working, and our economy has shown recovery signs (Peru has one of the highest growth rates in the region). It seems that PPK's politics are working, and more improvements should be seen in the coming months. The meeting between PPK and Keiko Fujimori will certainly help to have a nicer political environment. Although not public, it seems that certain concessions have been granted to Fujimori regarding the implementation of part of her government plan. That will give the government certain room to operate and pursue its own agenda."

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Brazilian national development bank BNDES, said it wants the company to sue Wesley Batista for losses "caused to its patrimony as a result of the illicit acts." The development bank plans to present its lawsuit proposal during a Sept. 1 shareholders' meeting, and that part of the plan will be to ban Wesley Batista and other executives from JBS leadership. When asked about the upcoming Sept. 1 meeting, Wesley Batista said, "The company and its administration are looking forward to the meeting to have the opportunity to show and demonstrate to shareholders all advancements and progress made in this short time frame." He added, "I'm sure shareholders will focus ... on the best interests of the company."

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**A** **Cynthia McClintock, professor of political science and international affairs at The George Washington University:** “In his first year, President Pedro Pablo Kuczynski was regularly coping with Popular Force’s pressures against his ministers, and rapprochement is welcome. Rapprochement is heralded not only by the dialogue between PPK and Keiko but also by the election of Luis Galarreta, now a Popular Force legislator but previously in PPK’s coalition, as the new speaker of Peru’s Congress. Keiko’s interest in dialogue was likely catalyzed by the toll that Popular Force’s obstructionism was taking on its image and by her new need for allies; her 2011 political campaign was recently reported by Brazil’s O Globo to have received funds from Brazil’s Odebrecht (the charge also against imprisoned former President Ollanta Humala). PPK should now achieve market reforms facilitating the construction of water and sewage plants—long a PPK priority—and for the expropriation of property for infrastructure. PPK is advancing projects for the Cusco airport, the Lima airport, the Lima metro and the Southern Gas Pipeline as well as for mining and for reconstruction after Peru’s devastating coastal El Niño. He has not recently highlighted his controversial tax-reduction proposals.

However, PPK faces huge challenges. He cannot restore robust economic growth without political stability. Amid the corruption scandals that implicate all three democratically elected post-2000 presidents as well as

“PPK faces huge challenges. He cannot restore robust economic growth without political stability.”

— Cynthia McClintock

Keiko (and, some Peruvians fear, ultimately PPK too), many Peruvians are deeply disillusioned. In recent months, serious strikes (in particular, a prolonged teachers’ strike) have erupted. PPK’s government should work harder to show its determination to stop corruption and be more proactive in dialogue with angry sectors. Also, PPK must seize every opportunity to highlight his government’s promising efforts to improve citizen security—Peruvians’ number one concern.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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**Erik Brand**  
Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**  
Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Nicole Wasson**  
Reporter, Assistant Editor  
[nwasson@thedialogue.org](mailto:nwasson@thedialogue.org)



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