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FEATURED Q&A

Will Peru's Prime Minister Win New Allies?



Governing party lawmaker Mercedes Aráoz took office earlier this month as Peru's prime minister, replacing Fernando Zavala, who lost a no-confidence vote in Congress. // File Photo: Peruvian Government.

Q Mercedes Aráoz, a former Peruvian economy minister, took office Sept. 17 as the country's new prime minister. She succeeds Fernando Zavala, who was ousted after a no-confidence vote by lawmakers. At the same time, President Pedro Pablo Kuczynski formed a new cabinet, reappointing six of his 19 ministers. What does Aráoz bring to the job of prime minister, and will she have the support of Congress? Will lawmakers continue to be at odds with the president's cabinet? What does Kuczynski's new cabinet say about his agenda going forward?

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "The no-confidence vote by Peru's Congress against the cabinet of President Pedro Pablo Kuczynski (PPK) was the first under Peru's 1993 Constitution. The vote followed a prolonged teachers' strike that, combined with disappointing economic growth and ongoing corruption scandals, dropped PPK's approval rating to 22 percent, considerably below the past two presidents at similar points in their terms. After the vote, PPK recruited Aráoz as well as new ministers for the economy, justice, education, health and housing ministries. Overall, like their predecessors, the new ministers are capable professionals, but have stronger political connections, in particular with the APRA party. Aráoz was trade minister, production minister, and economy minister for APRA President Alan García (2006-2011). In 2016, she became PPK's second vice president and was elected to Congress with more votes than any other candidate for PPK's party. However, PPK faces a Catch-22: the more he

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TODAY'S NEWS

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Colombian Air Force Kills Dissident FARC Leader

Euclides Mora had led a group of 25 fighters that refused to accept the FARC's peace deal last year with Colombia's government.

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ECONOMIC

Argentina Allowing Advisors to Invest Clients' Money Overseas

The change is an effort to encourage private banks to establish outposts in Argentina.

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ECONOMIC

Damage From Mexico Quakes May Exceed \$2 Bn

Rebuilding just schools that were damaged in this month's earthquakes will cost some 13.6 billion pesos (\$750 million), said President Enrique Peña Nieto. More than 400 people were killed in the two major earthquakes that struck the country this month.

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Peña Nieto // Photo: Mexican Government.

ECONOMIC NEWS

Damage From Mexico Quakes May Exceed \$2 Billion

Damage from the two powerful earthquakes that struck Mexico this month could exceed \$2 billion, President Enrique Peña Nieto said Wednesday, the Associated Press reported. Peña Nieto said the figure was a preliminary estimate and that officials were still assessing damage, especially in Mexico City, where the

“I hope that in the new year we will be able to have also a new Mexico, rebuilt and in normal conditions.”

— Enrique Peña Nieto

Sept. 19 earthquake caused the collapse of at least 38 buildings. Rebuilding just schools will cost some 13.6 billion pesos (\$750 million), the president said. Rebuilding and repairing homes will cost approximately \$550 million, while damage to cultural sites amounted to \$440 million, Peña Nieto added. The government is also making \$356 million in direct transfers to victims of the Sept. 7 earthquake and aftershocks in Chiapas and Oaxaca States to help them rebuild their homes. “I hope that in the new year we will be able to have also a new Mexico, rebuilt and in normal conditions,” said Peña Nieto. The Sept. 7 earthquake, which had a magnitude of 8.1 and struck off the coast of Chiapas, killed nearly 100 people. The Sept. 19 quake, which had a magnitude of 7.1 and was centered 34 miles south of Puebla in central Mexico, killed at least 338 people, authorities said Wednesday. The dead included 199 in Mexico City, National Civil Defense chief Luis Felipe Puente said on Twitter. Seventy-four others were killed in Morelos State, 45 in Puebla State, 13 in the State of Mexico, six in Guerrero State and one in Oaxaca State.

Argentina Allowing Advisors to Invest Money Overseas

Argentina’s securities regulator, the National Securities Commission, or CNV, on Wednesday said it had approved a rule that allows licensed advisors to invest citizens’ money in overseas assets, in a bid to encourage private banks to establish outposts in the country, Reuters reported. The CNV said in a statement that it would create a licensed “Global Investment Advisor” role, and the individual would be authorized to make decisions on behalf of the client both domestically and internationally. The new rule would give legal assurance to private banks that usually manage the investments of wealthy individuals. The rule was made unilaterally by the CNV, but similar legislation proposed by President Mauricio Macri has stalled in the opposition-controlled Congress. During the presidency of Cristina Fernández de Kirchner, many private banks left the country and provided service to their Argentine clients from abroad. “This role, which exists in various



Macri // File Photo: Argentine Government.

countries in the region, will favor the competitiveness of local actors,” the CNV said. Even before Fernández’s presidency, licensed investment advisors were prohibited from investing clients’ assets overseas, though many private banks did so anyway, but without licenses. In 2011, a financial crimes law made doing so a criminal offense that was punishable by up to four years in prison, so in response, private banks set up offices in Uruguay, Chile or Florida to serve their Argentine clients. The new rule comes after Argentines declared more than \$100 billion in previously hidden wealth in a

NEWS BRIEFS

Colombian Air Force Kills Dissident FARC Leader

Colombia’s air force has killed dissident FARC leader Euclides Mora, Colombian President Juan Manuel Santos announced Wednesday via Twitter. Santos added a warning to other dissidents: “Turn yourselves in or expect prison or the grave.” Mora was kicked out of the FARC rebel group in December along with four other leaders after refusing to agree to the terms of the peace deal signed with the government in November, BBC News reported.

Britain Seeking New Trade Deals With Peru, Colombia, Ecuador

British officials are in talks with Peru, Colombia and Ecuador to form new trade deals based on existing agreements with the European Union, following last year’s vote for Britain to withdraw from the European Union, the British Embassy in Lima said Wednesday, Reuters reported. Britain is looking to strike new trade deals around the world ahead of its scheduled departure from the 28-country body. British Minister for Trade Policy Greg Hands was in Lima on Wednesday to meet with Peruvian Trade Minister Eduardo Ferreyros, the embassy said. Other British officials have met recently with their counterparts in Ecuador and Colombia, the embassy added.

U.S.-Based Paint Manufacturer Halts Operations in Venezuela

U.S.-based paint manufacturer Axalta Coating Systems has halted its production in Venezuela, citing the country’s “economic and political situation” and has laid off workers, Reuters reported Tuesday. The company, headquartered in Philadelphia, recently wrote off the entire value of its facility in the South American country due to Venezuela’s deteriorating economy.

tax amnesty program this year, creating a large pool of assets that can now be invested.

POLITICAL NEWS

Trump Waives Shipping Restrictions to Aid Puerto Rico

Facing pressure from members of Congress and officials in Puerto Rico, U.S. President Donald Trump has temporarily waived a law that requires items moved between U.S. ports to be carried by U.S.-flagged ships. White House Press Secretary Sarah Sanders announced the decision to waive the century-old Jones Act this morning in a tweet. Trump made the decision at the request of Puerto Rico Governor Ricardo Rosselló, said Sanders. Officials including Senator John McCain (R-Ariz.) urged the Trump administration to waive the law in order to speed relief supplies to the hurricane-stricken U.S. territory. The Trump administration earlier this week said there was no need to waive the law, with Customs and Border Protection saying U.S. vessels had "sufficient capacity" to move supplies to Puerto Rico, Reuters reported.

BUSINESS NEWS

Exxon Mobil Buys 10 Blocks in Brazil Oil Auction

In its first oil auction since December 2015, Brazil saw mixed results on Wednesday, only selling one out of 76 offshore blocks on offer at the highly productive Santos basin, but selling eight offshore blocks in the Campos basin for a record \$1.19 billion to Exxon Mobil, six of which were sold to the consortium between the oil major and state-controlled oil company Petrobras, Reuters reported. Exxon Mobil also won two additional blocks in the Sergipe-Ala-

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accommodates the center-rightist, populist Fujimoristas' Popular Force and APRA, which lead the legislative opposition, the more he alienates Peru's democratic center and left, which gave him his narrow runoff victory. This Catch-22 applies also to a key issue facing PPK—a humanitarian pardon for Alberto Fujimori. A vicious circle is emerging: legislative obstructionism reduces PPK's ability to implement his economic-growth agenda and focus on corruption and citizen insecurity (Peruvians' priority concerns); these inabilities reduce popular support for PPK; Popular Force smells blood. Unfortunately also, the obstructionism by Popular Force's leader, Keiko Fujimori, appears to reflect at least in part a desire to avenge her electoral loss. Amid this dark political storm is one ray of light for PPK: the increasing rivalry between Keiko and her brother, Kenji. Especially if the charge that Keiko's 2011 political campaign received funds from Brazil's Odebrecht goes forward, Kenji is likely to establish his own party and provide PPK room to maneuver."

A **Francisco Durand, professor of political science at the Catholic University of Peru:** "The new prime minister is a pro-business economist with political experience (former minister of economy and finance, ex-presidential candidate and congresswoman). Aráoz brings a higher ability to deal with a Congress controlled by the fujimorista

opposition and the Keiko faction. During the no-confidence vote, the president and Congress were at the brink of war, but now, after cabinet appointments previously agreed with APRA (and some fujimoristas), there is a thaw. Kuczynski, thus, has a new chance to prove his alleged skills to reactivate the economy (mineral prices are up), unblocking

“**Within the Fujimori family, there is an open disagreement...**”

— Francisco Durand

two major copper projects rejected by social movements (Tia Maria in the south, Conga in the north) and providing incentives for two others (Michiquillay and Quellaveco). In the meantime, Aráoz will handle relations with Congress. The thaw is also the result of a lack of unity within fujimoristas. Within the Fujimori family, there is an open disagreement, between Keiko (the iron lady of the party, who confronts the president), and her brother Kenji (presenting himself as a tolerant democrat who disagrees with the 'authoritarian' orientation of the party and who advocates his father's immediate release). Let us wait and see until we know what happens with fujimorismo, particularly if Alberto

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goas basin, with plans to develop them with Queiroz Galvão Exploração e Produção (QGEP) and Murphy Oil Corp. The auction was seen as a bellwether for the country's oil sector following a massive corruption scandal at Petrobras and President Michel Temer's market-friendly reforms aimed at attracting investment to the sector. The lackluster result at the Santos basin could be a sign that low global oil prices and less cash for investments may have stymied international investors' appetite for oil investments in Brazil. Karoon Gas Australia

won the block in the Santos basin with a \$6.3 million signing bonus, though the remaining 75 blocks received no bids. Ahead of the auction, officials had expected to sell as many as 40 percent of the blocks and raise \$157 million in the basin. The record sale in the Campos basin exceeded expectations, however. The bid from Exxon Mobil was the highest-ever such bid. "We are anxious to work with the Brazilian government and our partners to develop the exploration of our winning blocks," Exxon said in a statement.

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Fujimori is liberated for 'medical reasons.' The family conflict comes as a blessing for Kuczynski, yet he still has to lead the country and demonstrate he is on top of issues. Many Peruvians see his presidency and his cabinet as elitist and the president as out of touch with common Peruvians."

A **Julio Carrión, associate professor of political science and international relations at the University of Delaware:** "As pundits and critics have been quick to note, PPK has relied too much on technocrats and his inner circle of friends. In response to these criticisms, PPK has appointed a more politically oriented cabinet. As Alberto Vergara notes in a column for *El Comercio*, five of the current ministers have previously run for office. Mercedes Aráoz tried her luck at the presidency in 2011 as the APRA candidate, although she eventually withdrew. She has held ministerial positions before, and in addition to being the country's second vice president, she served in Congress until her new appointment. To this extent, she brings a stronger political profile to the cabinet than her immediate predecessor. Furthermore, the appointment of Aráoz, and of Carlos Bruce as minister of housing, reflect his decision to rely a bit more on seasoned politicians. And yet, PPK is still drawing from his close acquaintances, who mostly come

from a small sliver of Peruvian society. Most are well off, European-looking, and with greater ties abroad than with Peru's provinces. Aráoz will enjoy a short 'honeymoon,' and the signals coming from the fujimoristas

“PPK has relied too much on technocrats and his inner circle of friends.”

– Julio Carrión

suggest that she would not face, at least initially, a fierce opposition in Congress. PPK has said that his main concern is to improve the economic situation, and on this there is little programmatic disagreement with the majority in Congress. What is still unknown is the strategy that fujimoristas would adopt after the honeymoon is over. The threat of another no-confidence vote that could trigger a congressional election might temper their predilection for censuring ministers. However, such possibility assumes a degree of rational calculation that has been largely absent in their past behavior.”

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