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FEATURED Q&A

What Do Vizcarra's Cabinet Picks Mean for Peru?



Peru's new president, Martín Vizcarra, earlier this month swore in his new prime minister, César Villanueva (L-R), and other members of his cabinet. // Photo: Peruvian Government.

Q Peruvian President Martín Vizcarra on April 2 swore in his new cabinet, which is headed by Prime Minister César Villanueva, an opposition lawmaker behind calls for the impeachment of Vizcarra's predecessor, Pedro Pablo Kuczynski, who stepped down in March. Vizcarra also swore in David Tuesta, formerly of BBVA and the CAF development bank, as finance minister and Francisco Ismodes, a former mining executive, as mining and energy minister. What do Vizcarra's appointments signal about his domestic policies and political goals? Will the appointments allow him to govern effectively in the wake of the polarizing scandal surrounding Kuczynski? What do Vizcarra's choices mean for Peru's business climate and outlook for international investment, especially in the country's all-important mining sector?

A David Scott Palmer, professor emeritus of international relations and political science at the Pardee School of Global Studies at Boston University: "The first weeks of the Vizcarra government have introduced a significant calming of the political waters. This respite comes after months of political tumult, with Keiko Fujimori's Fuerza Popular (FP) increasingly determined to cause the PPK administration serious distress. Their efforts culminated in Kuczynski's resignation last month to avoid certain impeachment and his replacement by the first vice president. The selection of his initial cabinet has been well received, with political party connections largely eschewed in favor of professional and high-level government experience. Given these choices, one can anticipate that policy and process will dominate over po-

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TODAY'S NEWS

POLITICAL

New Cuban President Vows Continuity

Miguel Díaz-Canel was officially installed as Cuba's president and vowed to continue the country's socialist model.

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BUSINESS

Mexico Bars New Contracts With Odebrecht

Mexico's government banned federal and state governments from entering new contracts for two and a half years with Brazilian construction conglomerate Odebrecht, which has admitted to bribing officials in several countries.

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POLITICAL

Guatemalan President Accused of Corruption

Guatemala's attorney general's office and the U.N.-backed anti-corruption commission in the country accused President Jimmy Morales of graft related to allegations of illegal campaign financing.

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Morales // File Photo: Guatemalan Government.

POLITICAL NEWS

'No Room' for Capitalism: New Cuban President

Cuba's new president, Miguel Díaz-Canel, officially took the reins of the country's government on Thursday, vowing continuity with the country's socialist model and alluding to cautious changes in an effort to "perfect" it, The Washington Post reported. "There is no room for those who aspire to a capitalist restoration," Díaz-Canel, 57, said in his inaugural address. "We will defend the revolution and continue to perfect socialism." The transition

“Raúl ... will be key to the process of making the most important decisions on the future of the nation.”

— Miguel Díaz-Canel

marked the first time in decades that one of the Castro brothers has not been at the helm of the government. Still, even as Raúl Castro, who took over for his brother Fidel in 2008, formally handed over the presidency to Díaz-Canel after the nearly unanimous approval of the National Assembly, the new president said his predecessor will still be the power behind the government. "Raúl ... will be key to the process of making the most important decisions on the future of the nation," said Díaz-Canel. Raúl Castro, 86, will remain the head of Cuba's powerful Communist Party. In a speech that followed Díaz-Canel's on Thursday, Castro described the transition as a handpicked succession. "His election is not by chance," said Castro. "It was planned by us in a group, and we decided that he's the best option in our opinion." Castro vowed to remain the head of Cuba's Communist Party until his term concludes in 2021 and said he hoped Díaz-Canel would assume the role. "When I'm gone, and that's in the future, he will take over as first secretary

of the Communist Party, if he does a good job," Castro said. "That's how it's been planned." In his 90-minute speech, Castro said he envisioned that Díaz-Canel would serve two five-year terms as the Communist Party's leader, the Associated Press reported. "From that point on, I will be just another soldier defending the revolution," said Castro, who frequently departed from his prepared speech to joke and banter with National Assembly members. Castro added that he was looking forward to having more time to travel the country. Signaling some planned reforms, Castro added that Cuba in July would create a committee to revamp the Constitution, The Washington Post reported. The country's socialist character, however, would remain the same, he said. "We thought, at this point, we would have advanced more" toward greater economic reforms, Castro acknowledged.

Guatemala's Morales Accused of Graft

Guatemala's attorney general's office and the United Nations anti-corruption panel in the Central American country on Thursday accused President Jimmy Morales of graft related to allegations of illegal campaign financing while he was his party's secretary general, the Associated Press reported. Businessmen poured more than \$1 million into Morales' National Convergence Front party without properly reporting the donations, electoral crimes prosecutor Oscar Schaad alleged. A presidential spokesman called the probe inconclusive, and the party's leader in Congress said the accusations were politically motivated.

ECONOMIC NEWS

European Ban to Hit a Third of Brazilian Meat Exports

About a third of Brazil's meat exports will be affected by a European Commission decision to ban imports from 20 suppliers, Brazil's

NEWS BRIEFS

Mexican Lawmakers Advance Measure to Strip Politicians' Immunity

Mexico's Chamber of Deputies on Thursday approved measures that remove constitutionally granted immunity that currently protects lawmakers and the president from prosecution in all cases but treason and "serious crimes of the common order," Reuters reported. The resolution, which must still be approved by the Senate and ratified by a majority of state legislatures, modifies or repeals provisions of eight constitutional articles.

Protests Continue in Nicaragua, Ortega Pulls TV Stations Off Air

Protesters took to the streets again Thursday in Nicaragua's capital and several other cities over a planned social security reform, the Associated Press reported. In Managua, a student lost an eye in clashes with riot police. At least eight people were injured Wednesday. The government of President Daniel Ortega ordered five independent television channels covering the unrest off the air. The channels went dark after authorities had cable companies cut their signal. Channel 15 director Miguel Mora said the station would continue to broadcast online.

Brazilian Regulator Eyes Guidelines for Investments in Virtual Currencies

Brazil's securities and exchange commission, the Comissão de Valores Mobiliários, or CVM, is preparing to publish guidelines that will give investment fund managers legal clarity to invest indirectly in virtual currencies abroad, Folha de S.Paulo reported Wednesday. In January, CVM declared that Brazilian fund managers could not invest directly in cryptocurrencies, leaving open the question over indirect investments. CVM officials say fraud is a major problem with virtual currencies.

agriculture minister said Thursday, Reuters reported. Europe on Thursday said the ban was related to “deficiencies detected in the Brazilian official control system.” Blairo Maggi told reporters in Paraná that his ministry was working to start talks on re-establishing exports, claiming European trade restrictions



Maggi // File Photo: Brazilian Government.

were “not a health issue.” In the meantime, he said, Brazilian companies “will have to search for new markets to quickly substitute these exports.” Brazil’s largest chicken processor, BRF, had 12 plants delisted by the ban, with the other eight operated by smaller companies. The latest bans on Brazil’s meat industry follow a year of controversy hitting the sector. In March 2017, a host of global buyers, including China, Egypt and Chile, curtailed imports of Brazilian meat after Brazilian federal police unveiled an investigation into alleged corruption in the sector. Brazilian authorities said at the time that meat companies made payments to government health officials to forgo inspections and cover up health violations. The United States in June also banned imports of beef, citing “recurring concerns about the safety,” and Russia in November banned pork and beef over growth stimulant concerns, Bloomberg News reported.

BUSINESS NEWS

Mexico Prohibits New Contracts With Odebrecht

Mexico’s government has banned federal and state government entities from entering

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political criteria. The professional composition of the cabinet is a major reason; so too is the likelihood that the Fujimorista congressional majority, having succeeded in forcing PPK out of office, will not play the same destructive role in its dealings with the Vizcarra government. Furthermore, the FP has its own internal divisions to deal with and needs to begin to focus on the 2021 elections. The specific choices for prime minister, economy and finance, and mining and energy encapsulate the experienced professionals needed at this political moment to deal with economic and investment policy issues. They will likely reinforce Peru’s longstanding market-oriented economy, and work to move forward on pending silver and copper mining projects, among others. President Vizcarra’s experience in forging a ‘social contract’ between locals and the Quellaveco copper project when governor of Moquegua may be a model for other mining investment negotiations. On balance, a positive outlook is warranted at this early stage.”

A **Michael Albertus, assistant professor of political science at the University of Chicago:** “Vizcarra’s appointments signal that his government will run in the broad outline of PPK’s: pro-business and technocratic in orientation. That is favorable for international investment, and especially for mining, since it will find a friend and ally in Ismodes. However, the big challenge

new contracts with scandal-plagued Brazilian construction firm Odebrecht for two and a half years over corruption concerns, according to the government’s official gazette. The ban was just one of several new sanctions announced Tuesday, which included penalties of \$30.1 million each for two of the firm’s branches and \$69,700 fines for two company lawyers, Reuters reported. According to Mexican officials, the penalties are related to an investigation into deals between Odebrecht and state-run oil company Pemex. Officials did not provide

will be governing the country effectively. Vizcarra, like his predecessor PPK, does not have a strong party apparatus to back

“Vizcarra, like his predecessor PPK, does not have a strong party apparatus to back him in office...”

— Michael Albertus

him in office and to consistently support his legislation. That also waters down his political message; his platform and vision for the country are muddled. Acceding to office as a result of the scandal that brought down PPK is going to make it very difficult for Vizcarra to marshal the political support he needs to carry out even his rather modest political agenda. To the contrary, he is going to face an uphill battle against Fujimori’s Fuerza Popular, as he did during his tenure as minister of transportation and communication under PPK. Consequently, I envision rather ineffective governance on major popular political issues rooted in poverty and inequality in Peru alongside a favorable environment for international investors, who will be able to gain access to and influence with a sympathetic cabinet.”

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any further details. The Brazilian construction firm, which was at the center of the Lava Jato corruption investigation into dealings with Brazilian state-run oil firm Petrobras, is under investigation in at least 10 Latin American nations, including Argentina, Peru, Colombia and Venezuela, BBC News reported. An international task force is investigating the company’s dealings in several countries. Last December, Odebrecht agreed to pay \$2.6 billion in fines under a leniency agreement reached with officials in the United States and Switzerland.

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A **Julio Carrión, associate chair of the department of political science and international relations at the University of Delaware:** “Once again, whatever the vagaries of Peruvian politics, the commitment to the existing economic model remains strong. David Tuesta is a member of that technocratic stratum that moves with ease between the world of private corporations and multinational organizations. This technocracy has been managing the economy for the last 25 years. Important long- and medium-term amendments to the economic policy are needed, but Tuesta’s immediate concern is going to be fixing declining fiscal revenues. His appointment will be taken as an assurance that Peru is still attached to the economic model that has received so much praise from the International Monetary Fund. To that end, and in policy terms, there is more continuity than change in the new cabinet. In other respects, there are significant changes. Although denied by both President Vizcarra and Prime Minister Villanueva, there are clear indications that the new cabinet has been at least vetted—if not negotiated—by the congressional majority and representatives of the other parties. This will foster a degree of governability in the short term, which is helped by the upcoming regional elections that will focus everyone’s minds elsewhere. The new cabinet is also a departure in the sense that there is more demographic representation. There is a welcome addition of more members from Peru’s regions and a lesser reliance on the European-looking limeño elite. Vizcarra’s initial polling numbers show that he is enjoying a ‘honeymoon,’ and although these moments of goodwill don’t last long in Peru, it should provide him the breathing room he needs to develop a working political coalition. At this point, there is no reason to believe that César Villanueva’s request for a vote of

confidence from Congress, in early May, will be rejected.”

A **Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:** “President Vizcarra has a very tough job ahead of him. Peruvians are accustomed to a growing economy that has outpaced the region for more than a decade. They expect this achievement to continue. For this to happen, two things need to take place. First, there needs to be a deepening

“**There needs to be a deepening of economic reforms so as to fully liberate the creative forces of the Peruvian economy.**”

— Beatrice Rangel

of economic reforms so as to fully liberate the creative forces of the Peruvian economy. Second, the political spectrum needs to be convinced of the benefits of becoming the party of development. This is to say that Peru’s very fragmented politics need to coalesce around the development cause. This of course demands political brinkmanship, but also a very good team that can not only operate, but that also is effective in terms of coalition building. So far, the choices for cabinet members seem to indicate that President Vizcarra is undertaking a coalition-building strategy. If he keeps PPK’s economic policies while executing reforms with the support of a political coalition that prioritizes development, he could emerge victorious from the challenge presented to him.”

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