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FEATURED Q&A

Has Peru's Vizcarra Made Progress in His First 100 Days?



Martín Vizcarra (pictured) took over as Peru's president in March, following the resignation of his predecessor, Pedro Pablo Kuczynski. // File Photo: Peruvian Government.

Q Peruvian President Martín Vizcarra recently reached his 100th day in office after taking over for Pedro Pablo Kuczynski who resigned amid graft allegations. At his inauguration in March, Vizcarra vowed to crack down on corruption and work to strengthen state institutions. How much is Vizcarra achieving toward those goals? What effects are his government's policies having on the country's economy and businesses? How well is Vizcarra navigating Peru's political climate and dealing with setbacks, such as the resignation of his finance minister following protests over fuel tax increases?

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "During President Martín Vizcarra's first hundred days, Peru's political waters were less turbulent than under Pedro Pablo Kuczynski, but far from calm. Fortunately for Vizcarra, the Fujimorista party, which holds a legislative majority and obstructed Kuczynski at every turn, was weakened by Keiko Fujimori's dramatic clash with her brother, Kenji, and by corruption charges. Indeed, in June, Peru's president secured from Congress legislative powers in most policy areas for 60 days. Also, fortunately, prices for most of Peru's commodities rose, and production increased. Peru's 2018 economic growth might approach 4 percent. However, a new corruption scandal exploded: audiotapes showed that members of Peru's National Council of the Magistrature, which appoints Peru's judges, prosecutors and electoral authorities, was guilty of influence peddling. In one audiotape, Vizcarra's justice minister,

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TODAY'S NEWS

ECONOMIC

Mexico, U.S. Officials Seeking NAFTA Deal by Late August

Officials from the two countries have expressed optimism about a potential deal and have set their sights on Aug. 25 as a potential deadline to allow time for the U.S. Congress to approve it before a new presidential administration takes over in Mexico.

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POLITICAL

Mexico's Electoral Authority Fines Morena Party

The country's electoral authority fined the party of President-elect Andrés Manuel López Obrador more than \$10 million for alleged campaign finance violations.

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ECONOMIC

Argentina's Macri Expects GDP Growth Next Year

Argentine President Mauricio Macri said he expects growth in 2019 along with a decline in inflation.

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Macri // File Photo: Argentine Government.

ECONOMIC NEWS

Mexico, U.S. Officials Aiming for NAFTA Deal by Late August

Mexican and U.S. officials are planning to accelerate negotiations in an effort to reach a deal on revamping the North American Free Trade Agreement, or NAFTA, by late August, Mexican Economy Minister Ildefonso Guajardo said Wednesday in a radio interview. "It's feasible from a technical perspective, but politically, you need flexibility from all parties," Guajardo told Radio Fórmula. Officials are hoping for a preliminary deal by Aug. 25, as the U.S. Congress would need 90 days to approve a new agreement, and a new presidential administration takes over in Mexico on Dec. 1, said Guajardo. Mexican President-elect Andrés Manuel López Obrador has backed Guajardo in his negotiations with the United States and NAFTA as officials from the three countries seek agreement on a revamped trade accord and has said he would support a new agreement before he takes office, The Wall Street Journal reported. Last week, top U.S. officials, including Secretary of State Mike Pompeo, Treasury Secretary Steven Mnuchin and White House advisor Jared Kushner met separately with López Obrador and outgoing President Enrique Peña Nieto. During a cabinet meeting Wednesday at the White House, U.S. President Donald Trump said he had a "good session" on NAFTA with Mexican officials. He has repeatedly said the trade accord is unfair to the United States. Also on Wednesday, Larry Kudlow, the White House's top economic advisor, expressed optimism about talks with Mexican officials. "I can report good progress with Mexico," he said, CNBC reported. Trump has said that the United States may reach separate deals with Mexico and Canada, but Guajardo said Wednesday that Mexico will not pursue a bilateral deal with the United States, The Wall Street Journal reported. "There is value on the NAFTA label, and that's North American integration," he said. "If the U.S. wants to move to a bilateral deal, its internal rules would delay the negotiations too

much, since a new treaty requires congressional approval." Guajardo said he would travel to Washington on July 26 for bilateral trade talks with U.S. officials and would head to Canada later to meet with officials there, Reuters reported. Talks on reworking the 24-year-old trade accord stalled in mid-May and then tensions over trade heated up in June after the United States slapped tariffs on steel and aluminum imports from Canada and Mexico, leading the countries to place their own tariffs on U.S. goods in retaliation. U.S. officials agreed to return to talks after Mexico's July 1 presidential election.

Argentina's Macri Expects Growth to Resume in 2019

Argentine President Mauricio Macri told reporters Wednesday that the South American country's economy will pick up in 2019, with inflation falling by more than 10 points, La Nación reported. Argentina has been facing higher-than-expected inflation and faltering economic growth as a severe drought hit agricultural production and the peso weakened sharply against the U.S. dollar earlier this year, Reuters reported. The currency crisis, driven by a selloff in emerging markets and uncertainty around Argentina's ability to reduce inflation, prompted the Macri government to secure a \$50 billion financing deal with the International Monetary Fund in May, and agree to increase revenues and cut spending to reach fiscal deficit targets set by the international lender. The IMF expects Argentina's economy to contract in the second and third quarters of this year. "There will be a few months in which steps that we have taken have to mature, but we will return to growth next year," Macri said, Reuters reported. There will not be "a crisis like in the past," Macri added, referring to the country's 2002 economic collapse, La Nación reported. Opposition groups in Argentina called the president's predictions "insensitive" and "unrealistic," and criticized Macri's "lack of concrete solutions," Clarín reported. [Editor's note: See related [Q&A](#) in the July 2 issue of the Advisor.]

NEWS BRIEFS

Measles Outbreak Hits Brazil, More Than 700 Infected

At least 744 people have been infected with measles in Brazil, the country's health ministry announced Wednesday, the Associated Press reported. The outbreak is growing and is linked to cases imported from Venezuela, the health ministry said. Four people have died in the outbreak, including one indigenous child. The total number of people infected includes 67 indigenous Venezuelans and Brazilians. Indigenous rights group Survival International has said the outbreak could prove devastating to tribal groups that have little resistance to the disease.

U.S. Revokes Visa of Citgo CEO

The United States revoked the visa of Asdrúbal Chávez, president and CEO of Citgo, the U.S. subsidiary of Venezuelan state oil company PDVSA, the oil firm said Wednesday, Reuters reported. A spokeswoman for Citgo, whom the wire service did not name, said the company's "day-to-day operations ... remain uninterrupted and senior leadership remains unchanged." U.S. State Department spokesman Noel Clay said the United States has the authority to revoke visas, but did not specifically refer to the case, saying it is confidential under the law.

Colombian Authorities Arrest Suspect in Journalists' Abduction

Colombian Defense Minister Luis Carlos Villegas announced Tuesday that Colombian authorities had captured Gustavo Angulo Arbolada, also known as "Cherry," a main suspect in the kidnapping of two Ecuadorean journalists and their driver who were later killed, allegedly by FARC dissidents, in April, EFE reported. The journalists were investigating drug violence in the area when they disappeared.

POLITICAL NEWS

Mexico's Electoral Authority Fines AMLO's Party \$10 Mn

Mexico's electoral authority on Wednesday voted to fine the Morena party of President-elect Andrés Manuel López Obrador, widely known as AMLO, \$10.3 million for campaign finance irregularities, La Jornada reported. The National Electoral Institute said there was an irregular movement of money in a fund that the party allegedly created to support earthquake victims. The institute said most of the money was transferred to party members, and added



López Obrador // File Photo: Mexican Government.

it was unable to determine if the money then went to earthquake victims, the Associated Press reported. Morena said the fund was private and not run by the party. The electoral authority also fined the ruling Institutional Revolutionary Party and the National Action Party for separate campaign finance violations.

BUSINESS NEWS

Chile's SQM Seeking to Expand Lithium Carbonate Plant

Chilean miner SQM on Wednesday issued an environmental impact statement to the government's environmental evaluation service to begin the process of seeking approval for its plans to expand its Salar del Carmen lithium

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Salvador Heresi, conversed with a disgraced judge. Heresi later resigned. Vizcarra is not perceived to be fighting corruption vigorously and, as a result, his approval ratings have fallen. However, Vizcarra has named a blue-ribbon anti-corruption commission.

“Vizcarra is not perceived to be fighting corruption vigorously and, as a result, his approval ratings have fallen.”

— Cynthia McClintock

Hopefully, reforms are imminent. Further, like his predecessors, Vizcarra has two goals: both to maintain solid economic fundamentals and to attract investment, but also to heed popular concerns about equity and the environment. Vizcarra has been more mindful of popular concerns than Kuczynski and has more successfully defused major strike threats. This was the case with the resignation of Finance Minister David Tuesta after the unpopular decision to raise the fuel tax and also with the cancellation of offshore oil exploration contracts with London-based Tullow Oil. A former regional president, Vizcarra has focused considerably on public investment and development in Peru's regions. At the same time, Vizcarra's new

carbonate plant, El Mercurio reported. The expansion, which would cost \$450 million and could more than double the facility's production from 70,000 to 180,000 metric tons per year, would roll out in two phases with the aim of beginning operations by 2020. In the first operational phase, SQM would expand production to 110,000 metric tons a year “by increasing the current operating capacity of our equipment and processes,” the miner said in the statement, Reuters reported. The

finance minister, Carlos Oliva, is a respected economist. Overall, in Peru's turbulent political waters, to date Vizcarra's hand at the tiller has been reasonably steady, but the challenges are large.”

A Francisco Durand, professor of political science at the Catholic University of Peru: “Vizcarra, a weak, accidental president, now has a chance to take the initiative and lead the fight against pervasive corruption inside the near-failed Peruvian state. A recent leak of audio recordings that show shady deals and collusive agreements between judges and members of a council that appoints them to control the courts, now labeled the ‘judicial mafia,’ is the opportunity he has been waiting for. So far, he has taken the lead, appointing a high-level commission that will propose reform guidelines before Vizcarra's State of the Union address on July 28. Congress is pretending to control the reform process and is proposing that a questioned judicial committee led by Fujimoristas design the reform. In the meantime, many organizations and the left are calling for marches, a factor that, if popularly supported, might help the president or, in the absence of credible alternatives from the president and the Congress, will call for everyone's resignation (‘¡que se vayan todos!’). The economy, in this bizarre scenario, is doing well, better than expected, despite tax increases, thanks to major investments in the mining sector.”

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second phase, called Lithium Carbonate Plant 3, would modify SQM's equipment and set up new equipment. The mining company said a major part of the project will be to optimize its use of water resources in northern Chile by maintaining the current levels of use even while increasing production. SQM will try to begin the expansion project by the end of this year, as global demand for lithium, a primary element of batteries, rises amid increases in electric car manufacturing, the wire service reported.

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A **Michael Albertus, assistant professor in the Department of Political Science at the University of Chicago:** “Peruvian President Vizcarra is showing more enthusiasm in pursuing corruption than Peru has seen in years. But the problem is very deeply rooted. Just last Friday, Vizcarra forced the resignation of his justice minister, who was caught on tape negotiating favors with Supreme

“**Peruvian President Vizcarra is showing more enthusiasm in pursuing corruption than Peru has seen in years.”**

— **Michael Albertus**

Court justice César Hinostroza. Vizcarra also recently defused burgeoning protests over proposed fuel tax increases by forcing his finance minister out and promised to focus on enforcing uneven tax collection on businesses over raising new taxes. While these moves are politically popular among many segments of Peruvian society, they pose a challenge to ‘business as usual’ in the country’s economy. Businesses should be rightly concerned whether this is the tip of a broader campaign, or whether Vizcarra’s purview will be limited. There is reason to believe that Vizcarra can only go so far. His ability to be effective relies on the support of Congress, which Popular Force controls. And to keep Peru’s strong economy on track, he cannot afford to alienate the business community, which does not always play by the rules in Peru’s weak institutional environment.”

A **Jose E. Gonzales, managing partner of GCG Advisors:** “It is said of Mexican President-elect Andrés Manuel López Obrador that if he is able to control and reduce corruption in his country, very few other things will really matter during his ‘sexenio.’ After 100-plus days in office, the same could be said of Peruvian President Martín Vizcarra. His predecessor, Pedro Pablo Kuczynski, was forced to resign amid a political confrontation with Congress’ Fujimorista majority and also because of circumstantial evidence of involvement with the Odebrecht scandal. Such is the sensibility with the issue that recent press revelations of influence trafficking within the higher echelons of the judiciary and apparent collusion with Congress’ leadership, including Keiko Fujimori and President Vizcarra’s former minister of justice, are placing increasing social pressure for decisiveness within an administration that is proving passive and politically clumsy as the incident with the fuel tax increases showed. In turn, Peru’s economy has recovered its dynamism, with GDP growing by 6.43 percent in May, for almost nine years of continuing monthly growth across all sectors, with annualized GDP growth at 3.55 percent and second-quarter unemployment at 6.2 percent, the lowest level year-to-date. While Peru’s past economic growth has been part of a trend of global synchronized growth, the recent peak has been due to private sector confidence due to a ‘political truce’ between the president and the legislature after Kuczynski’s resignation. Such a ‘truce’ could be disrupted, but social pressure for judiciary reform continues.”

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