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THEDIALOGUE

FEATURED Q&A

Will Peru's Presidential Race Be Considered Fair?

Julio Guzmán had been seen as the main obstacle keeping Keiko Fujimori from winning Peru's presidential race. // File Photo: Guzmán Campaign.

Q Peru's electoral council on Wednesday voted to bar economist Julio Guzmán, the main challenger to front-runner Keiko Fujimori, from the country's April 10 presidential election, citing a technicality in which the mechanism his party used to nominate him violated its own internal rule. The electoral council also barred the candidacy of César Acuña, who had been polling a distant fourth place. What does the move to bar Guzmán mean for democracy in Peru? In light of the disqualification, will Peru's election be considered fair? What is the likelihood of Guzmán being able to overturn the ruling? Will there be any backlash?

A Alexander Watson, former U.S. ambassador to Peru, former assistant secretary of state for Western Hemisphere affairs and managing director at Hills & Company, International Consultants: "The National Jury of Elections' (JNE) confirmation March 14 of its unprecedented decision to bar Julio Guzmán on a technicality from competing in the April 10 presidential election first round casts a pall on Peruvian democracy and further shakes public confidence in it. The JNE also disqualified Cesar Acuña on other grounds. Guzmán, who is polling a clear second behind Keiko Fujimori, appealed the decision, arguing that an error in party procedures was insufficient to torpedo his candidacy. He cited multiple similar past errors that had been excused, as well as procedural errors in the nominations of rivals in this election, to no avail. Guzmán may now try to appeal to Peru's Constitutional Tribunal or the OAS, which issued a statement seeming to

Continued on page 2

TODAY'S NEWS

POLITICAL

Argentina's Lower House Approves Debt Deal

The Chamber of Deputies backed the deal struck last month between President Mauricio Macri's government and so-called "holdout" bondholders. The Senate still must approve the deal for it to take effect.

Page 2

BUSINESS

Antofagasta Warns of Another Tough Year Ahead

The Chilean copper miner reported a 58 percent decline in core profit for last year and said 2016 will also be difficult.

Page 3

POLITICAL

Prominent Senator Accuses Rousseff of Involvement in Petrobras Scandal

In plea-bargain testimony, Senator Delcídio do Amaral accused Brazil's president of having knowledge of bid-rigging and bribery at the state-run oil company.

Page 2

do Amaral // File Photo: Brazilian Government.

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POLITICAL NEWS

Rousseff Accused of Involvement in Petrobras Scandal

Top Brazilian Senator Delcídio do Amaral accused President Dilma Rousseff of playing a role in the Petrobras scandal, marking the first time she has been linked to the massive graft scheme that has implicated many top officials in Brazil's government, The Wall Street Journal reported Tuesday. In his plea-bargain testimony, do Amaral, a member of the president's Workers' Party, alleged Rousseff had knowledge of bid rigging and bribery at Brazil's state-run oil company, and also worked with her inner circle to suppress the criminal probe threatening to reach the highest levels of Brazil's business and government. Rousseff served as the chairwoman of the state oil company from 2003 to 2010. She has denied wrongdoing and has not been charged with a crime. However, Rousseff's predecessor and mentor Luiz Inácio Lula de Silva faces formal charges for his alleged involvement in the scheme, and is said to be talking to Rousseff about taking a cabinet post, according to those familiar with the situation. If he does take a post in her cabinet, he could be granted some legal protection against prosecution on money-laundering charges connected to the scheme. The contents of do Amaral's testimony surfaced only two days after Brazilians took to the streets in protest, demanding the resignation of Rousseff, whose embattled administration has been dealing with a steep recession, the massive corruption probe and rising calls for impeachment. [See related **Q&A** in the March 8 issue of the Advisor.]

ECONOMIC NEWS

Argentina's Lower House OKs Debt Deal With 'Holdouts'

The lower house of Argentina's Congress on Tuesday approved the deal made between the government of President Mauricio Macri and so-called "holdout" bondholders, bringing the country one step closer to ending its long dispute with the creditors, Reuters reported. In a vote of 165-86, legislators on both sides of the country's political divide backed the agreement. However, some lawmakers loyal to Macri's predecessor, Cristina Fernández de Kirchner who refused to negotiate with the holdouts, blasted Macri, saying he was selling

FEATURED Q&A / Continued from page 1

question Peru's electoral process and sent an election monitoring advance team to Lima. Time pressure is great, as the ballots are scheduled to be printed this week. Peruvians may be forgiven for smelling a rat. Rumors are flying. Two JNE members reportedly have ties to former president and current candidate Alan García's APRA party that was instrumental in the 1990 victory of Keiko's father, Alberto Fujimori. Polls indicate that with Guzmán out of the race, Peru's former finance and former prime minister, Pedro Pablo Kuczynski, would be in second place and make it into the final round, but the situation is highly fluid, and many Peruvians decide their votes at the last minute. Anything can happen. It is a shame that Peru, which has done so well managing its economy through several administrations, should make such a hash of its political process and undermine its democracy."

Julio Carrión, associate professor of political science and international relations at the University of Delaware: "A famous Russian joke has a group of pessimists commiserating that the situation at hand was so bad—so terrible—things could not get any worse. But the optimists replied, no, it can get worse! The number of Russian optimists must be growing in Peru these days. Citizen

Continued on page 4

NEWS BRIEFS

Crash of Ecuadorean Army Plane Kills 22

An army plane with 22 people on board crashed in Ecuador's Amazon region, leaving no survivors, President Rafael Correa confirmed on Twitter Tuesday, BBC News reported. Nineteen of the passengers were Ecuadorean soldiers traveling for a parachuting exercise. There were also two pilots and one mechanic on board. The plane crashed at 2:30 p.m. local time in the eastern province of Pastaza. The cause of the crash is unknown. Defense Minister Ricardo Patiño and rescue teams are traveling to the scene of the crash.

Brazil's Unemployment Rate Jumps to 8.5 Percent

Brazil's unemployment rate rose to 8.5 percent in 2015, up from 6.8 percent the previous year, according to the country's national statistics institute, Bloomberg News reported Tuesday. During 2015, Latin America's largest economy lost 1.5 million jobs, and the country is entering its second year of its deep recession. Brazil's unemployed population rose to 8.6 million last year as compared to 6.7 million in 2014.

Peru Removes Barriers on Beef Imports From U.S.

U.S. Agriculture Secretary Tom Vilsack and U.S. Trade Representative Michael Froman announced Monday that the United States now has full access for beef and beef product exports to Peru, the U.S. Department of Agriculture said in a statement. The U.S. government had reached an agreement to remove 13-year-old trade barriers to Peru. Last year, the United States exported $25.4 million in beef and beef products to Peru, with total trade of agricultural, fish and forestry products reaching $3 billion. The United States and Peru have been strengthening trade ties since the United States-Peru Trade Promotion Agreement entered into force in 2009.

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out by offering 70-75 cents on the dollar to the creditors. Axel Kicillof, who served as finance minister under Fernández, said Macri's plan to finance the deal with an $11.68 billion bond issuance would drive up Argentina's debt. Supporters of the deal say it is needed to allow Argentina to borrow again in international capital markets. The Macri government agreed to pay Elliott Management's NML Capital and three other hedge funds that had refused to accept previous debt restructurings $4.65 billion, U.S. court-appointed mediator Daniel Pollack announced Feb. 29. [Editor's note: See **Q&A** on Argentina's deal with the creditors in the March 9 issue of the Advisor.]

BUSINESS NEWS

Chile's Antofagasta Warns of Another Difficult Year Ahead

Chilean copper mining company Antofagasta on Tuesday posted a lower-than-expected profit and warned of another difficult year ahead, Reuters reported. Antofagasta's core profit from continuing operations, or earnings before interest, taxes, depreciation and amortization (EBITDA) declined 58 percent last year to $890.7 million. The company's board also confirmed that it will not pay a final dividend for 2015 as its interim dividend of 3.1 cents had met its payout target of 35 percent. "This has been a challenging year for both the wider industry and Antofagasta, and 2016 also looks like it will be difficult," said Chief Executive Officer Diego Hernández. "However, I believe we are now well positioned to weather the current copper market."

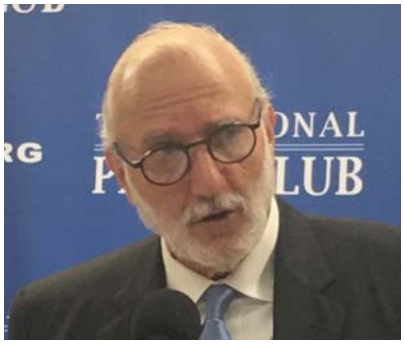
> **"This has been a challenging year for both the wider industry and Antofagasta, and 2016 also looks like it will be difficult."**
>
> **— Diego Hernández**

IN FOCUS

White House Relaxes Cuba Restrictions

By Nicole Wasson

WASHINGTON—The administration of U.S. President Barack Obama on Tuesday announced it would further loosen Americans' restrictions on travel to Cuba and would also ease limits on the use of U.S. dollars in trade transactions, Reuters reported. The changes come ahead of Obama's historic visit to the communist-ruled country next week.



Gross // Photo: Latin America Advisor.

Also on Tuesday, Alan Gross, a former U.S. contractor who was imprisoned in Cuba for five years, spoke to journalists about his time in prison and commented on the White House's efforts to normalize relations between the two countries, calling on Congress to lift the embargo on Cuba.

The changes by the Obama administration are part of its efforts to continue normalizing relations between Washington and Havana, despite criticism from the Republican-led Congress, which has refused to lift the embargo. The measures announced Tuesday include allowing Cubans to open U.S. bank accounts. The changes also allow Americans to visit Cuba for "people-to-people educational travel," rather than requiring them to go on group tours, as had been the case before. The rules allow Americans to travel to Cuba for virtually any cultural activity, such as attending musical performances and baseball games, the Los Angeles Times reported.

Gross told reporters in a speech at the National Press Club that Congress should lift the embargo. When Cuban authorities arrested him in December 2009, Gross was working for a government contractor to create a pilot project in Cuba to establish broadband Internet connectivity. In 2011, a Cuban court sentenced him to 15 years in prison. Gross' sentence was ultimately cut short, and he was released in December 2014 on the same day that Obama and Cuban President Raúl Castro announced that the Cold War foes would move toward normalized relations.

On Tuesday, Gross praised Obama's efforts to generate interest from U.S. private industry to invest in Cuba. "Cuba needs foreign direct investment. There will be no substantial foreign direct investment until the embargo is lifted." Though 11 percent of Cuba's workforce is working in the private sector, "it should be 90 percent," Gross said. "There exists now, what I would call, a legal but fledgling private sector. Now, of the 11 percent of the workforce who works in the private sector, most of them make more than the national monthly per capita wage, and all of them are no longer dependent on the government of Cuba for their livelihoods. Isn't that what our hardliners want?"

Critics of normalizing relations continue to denounce the Obama administration over the thaw. "The only thing that's changed as a result of this opening is that now the Cuban government has more sources of money from which to build out their repressive apparatus." Senator and then-presidential candidate Marco Rubio of Florida said during the March 10 Republican debate in Miami.

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FEATURED Q&A / Continued from page 2

trust in political institutions is already so low that regional surveys place Peru almost at the bottom of the ranking. The National Jury of Elections actually exhibits some degree of trustworthiness, but in the wake of its recent decision, trust in this institution is likely to drop. But besides its likely impact on public trust, the decision to remove these candidates from the race has ominous implications. Until now, the dysfunction of political institutions affected the quality of Peru's democracy, but it did not touch its competitive nature. I do not share the views of those who find ulterior motives in the ruling, but I do believe that its practical consequence is still very damaging. A significant segment of the electorate has been deprived of its first choice on a legal technicality. The 'legal fetishism'—a term used by some Peruvian commentators—behind the decision makes Peruvian democracy less competitive, and thus raises serious questions about the legitimacy of the whole electoral process. Acuña, quite aware of his recent decline in the polls, is taking the decision calmly. But Julio Guzmán is less sanguine because he could see himself defeating Keiko Fujimori in the second round. On March 14, the Electoral Board reaffirmed its decision, and so now we move on to the first round. Guzmán's party is withdrawing from the congressional races and has vowed not to recognize the legitimacy of the next president. A pessimist would say that things are so bad that they can't get any worse; an optimist on the other hand wouldn't."

> **"A significant segment of the electorate has been deprived of its first choice on a legal technicality."**
>
> **— Julio Carrión**

Jose E. Gonzales, managing partner at GCG Advisors: "Although the decision of Peru's National Jury of Elections (JNE) in a 3-2 vote seems to be a technicality, it is rather one of due process, based on the country's Electoral Law, which was reformed due to violations committed during Alberto Fujimori's regime. Guzmán's party's dilly-dallying with its ticket and the intent to cover it with misrepresentations could, at least, be interpreted as neglect and/or improvisation in an organization, and a leader that could have been in charge of leading Peru, at worst, as un-democratic. The case of Acuña is more clear-cut: Illegal donations during the campaign disqualified him upfront. Having said that, the case of Acuña, which involved proven accusations of plagiarism, was really of moral fitness (he clearly did not qualify to be the president of Peru) while Guzmán's case dealt with the political right to participate in an election having substantial popular support. It seems impossible for Guzmán to return to an election that is less than a month away, and even though he is crying 'fraud,' his demise was more of his own making regardless of any political plotting by his adversaries. Is this fair? Are politics fair? Ever? Anywhere? Not really. But in the case of Peru, it seems to be the right step toward strengthening the country's institutions in the longer term, regardless of the political qualifications of the remaining candidates. When it comes to the actual election, without Guzmán and Acuña, it is a new ballgame."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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