

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Carl Meacham

Associate VP for Latin America
Int'l Advocacy Division, PhRMA

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

Jaana Remes

Partner,
McKinsey Global Institute

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head of Sovereigns Ratings,
Latin America, Fitch

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

Have Voters Found a Way to Clean Up Peru's Politics?



Peruvian President Martín Vizcarra this month won voters' support for new anti-corruption measures. // File Photo: Peruvian Government.

Q In a nationwide referendum on Dec. 9, Peruvians overwhelmingly supported measures to bar legislators from seeking immediate re-election, tighten campaign finance rules and give the public the power to choose members of a council that selects judges. Voters defeated a measure to replace the country's unicameral Congress with a two-chamber body. The vote happened the same day that Peruvian prosecutors reached a deal with Brazilian construction firm Odebrecht that could lead to more charges against politicians, including former presidents, suspected of taking bribes. Will the voter-approved measures effectively thwart corruption in Peru? How will the Odebrecht case affect President Martín Vizcarra's government and his agenda? How has the Odebrecht case and the anti-corruption measures changed investment flows and the business climate in the country?

A Julio Carrión, associate professor and associate chair of the Department of Political Science and International Relations at the University of Delaware: "The political process Peru is currently undergoing is quite unsettled, but it has the potential of redefining politics for the better, if everything goes well. President Vizcarra has not wasted any time after his referendum victory. He recently announced that he was appointing a commission to draft ideas about how to implement the National Justice Board to replace the old and corrupt body in charge of appointing judges. He also indicated that he would appoint a commission to issue a report on how to reform the political system. He faces potential opposition in Congress, but Fuerza Popular,

Continued on page 3

TODAY'S NEWS

POLITICAL

Colombia's ELN Rebels Call Cease-Fire Over Holidays

The National Liberation Army rebel group said it will cease hostilities between Dec. 23 and Jan. 3. The group also called on President Iván Duque's government to resume peace talks.

Page 2

BUSINESS

Boeing Releases New Details of Embraer Deal

Boeing said it has agreed on terms with the Brazilian plane maker to acquire control of its commercial aircraft and services operations. Embraer will retain the ability to approve some strategic decisions, Boeing said.

Page 3

ECONOMIC

Mexico to Boost Minimum Wage to About \$5.10 Daily

President Andrés Manuel López Obrador's government and the country's labor and business sectors agreed to boost the minimum wage by 16.2 percent next year.

Page 2



López Obrador // File Photo: Mexican Government.

ECONOMIC NEWS

Mexico to Boost Minimum Wage to About \$5.10 Per Day

The government of Mexican President Andrés Manuel López Obrador reached an agreement with the country's labor and business sectors on Monday to raise the minimum wage by 16.2 percent next year, marking the third consecutive year of double-digit increases, *El País* reported. The minimum wage will be 102.68 pesos per day, roughly \$5.10, up from 88.36

“We are all going to benefit because when there is more income, the internal market strengthens.”

— Andrés Manuel López Obrador

pesos, starting on Jan. 1. Along the border with the United States, the minimum daily wage will double to 176.2 pesos, or \$8.80, Labor Minister Luisa María Alcalde said, *The Wall Street Journal* reported. “We are all going to benefit because when there is more income, the internal market strengthens. If people don't even have [enough] to buy the basics, there is no growth,” López Obrador said at the event, which ministers and business and union leaders attended, *El País* reported. With the move, the government aims to boost Mexicans' quality of life and stem migration to the United States, he added. Also on Monday, the president defended his 2019 budget, which was presented on Saturday and has been criticized for deep cuts to social spending, Reuters reported. The budget limits new social and infrastructure expenditure in the short term by more than analysts had expected. López Obrador said his budget trimmed wasteful spending. “The corruption is over, the waste is over, the budget

is going to go further,” he told reporters at a news conference. “We will do more with less.” [Editor's note: See related [Q&A](#) in the Nov. 14 issue of the Advisor.]

POLITICAL NEWS

Colombia's ELN Calls Cease-Fire Over Holidays

Colombia's National Liberation Army, or ELN, rebel group, on Monday called a unilateral 12-day cease-fire over the Christmas and new year's holidays and reiterated that it is committed to finding a negotiated end to its conflict with the country's government. In an announcement on the rebel group's website, the ELN said it will “cease offensive operations” between Dec 23 and Jan. 3 “to contribute to a climate of tranquility during Christmas and the new year.” At the same time, the ELN said it wants to continue peace talks that began in February 2017 during the government of then-President Juan Manuel Santos. Current President Iván Duque, who took office in August, has said the ELN must suspend its hostilities and release all of its hostages among other conditions before it engages in talks, Reuters reported. The ELN has so far refused Duque's conditions. “The ELN remains committed to the search for a political solution to the conflict and thus we agree with those who are determined for a peace with changes,” the rebels said in their statement announcing the cease-fire.

Venezuela's Militia Has Grown to 1.6 Mn Members: Maduro

Venezuelan President Nicolás Maduro on Monday told members of the country's civil militia in a televised speech that the militia had grown to 1.6 million members, tripling its size since the beginning of the year, Reuters reported. In the speech, Maduro said the militia's mission is

NEWS BRIEFS

Bolsonaro Rescinds Inauguration Invitations From Maduro, Díaz-Canel

Brazilian President-elect Jair Bolsonaro on Monday rescinded the invitations of Venezuelan President Nicolás Maduro and Cuban President Miguel Díaz-Canel for his inauguration, to be held Jan. 1, ABC News reported. “Regimes that violate the freedoms of their peoples ... will not be in the presidential possession in 2019,” he said in a tweet. The White House announced Monday that Secretary of State Mike Pompeo will lead the U.S. delegation attending Bolsonaro's swearing-in ceremony.

Paraguayan Authorities Arrest 18 After Escape of Two Brazilian Inmates

Paraguayan authorities arrested 18 police guards and placed them under investigation after two Brazilian inmates escaped from a high-security prison on Sunday, *Hoy* reported. Paraguay's internal security vice minister said inmates Thiago Ximenes, a criminal band leader, and Reinaldo Araujo, a hitman, escaped safely from the Agrupamiento Especializado prison in Asunción. “Evidently, there was police complicity,” President Mario Abdo Benítez said, *45 Última Hora* reported.

Chilean Police Examine Iranian Oil Delivery as Source of Noxious Fumes

Police and prosecutors in Chile are examining the delivery of Iranian crude oil to Chile's state-owned ENAP in connection with noxious fumes that sickened hundreds of people in August, Reuters reported. Authorities searched an ENAP oil refinery and a port in Hualpén and Talcahuano, towns 315 miles south of Santiago. A spokesman for the prosecutor's office in the Bío Bío region said officials are examining possible connections between the fumes and ENAP's transfer of the oil to area refineries.

defending Venezuela against aggression from external forces. “We will arm the Bolivarian militia to the teeth,” said Maduro. “An invading imperialist force may enter a part of our fatherland, but the imperialists should know that they will not leave here alive.” Maduro added that in April, when the militia had nearly 400,000 members, he had ordered an expansion of the



Maduro // File Photo: Venezuelan Government.

its size. Militia members must be ready “to go to the heart of the enemy who dares touch Venezuelan soil—to go to the heart of the enemy and to tear out his heart in his own territory,” The Guardian reported. “We will defend our homeland from imperialists and oligarchs and traitors ... whether they are in Bogotá or Brasília.” Maduro’s speech came a week after Russia sent two bombers capable of carrying nuclear weapons to Venezuela in a show of support for Maduro. The planes returned to Russia on Saturday following complaints from the United States and other countries, Russia’s state-run Tass news agency reported. “We are not threatening Colombia,” Russia’s ambassador to Venezuela, Vladimir Zaemsky, told Colombia’s Blu Radio, Tass reported.

BUSINESS NEWS

Boeing Releases New Details of Deal With Embraer

U.S. airplane manufacturer Boeing on Monday said it has agreed on the terms of a joint venture to purchase the commercial jet operations of Brazil’s Embraer for \$4.2 billion, up from the \$3.8 billion deal originally announced in July,

FEATURED Q&A / Continued from page 1

the fujimorista majority, is severely weakened, and Daniel Salaverry, the president of Congress, has not only requested ‘a leave of absence’ from Fuerza Popular, but is also acting independently from it. Vizcarra, by contrast, has the political momentum and is likely to keep it. His popularity remains quite high (for three months in a row it has been above 60 percent). Reforming the judiciary is perhaps within reach now. Such a reform is a necessary but insufficient for eradicating corruption in Peru. The possibility of

“Vizcarra is relying almost exclusively on public opinion to keep the momentum and govern effectively.”

— Julio Carrión

regulating the private financing of parties is another step in the right direction. We need to wait to see what this actually means once legislation is enacted. What is clear is that the Odebrecht case is keeping the issue of corruption on the front pages, which benefits not only Vizcarra but also those who are seeking to clean up Peruvian politics. Fundamental problems remain, however, above all the absence of strong parties. Vizcarra is

the Financial Times reported. As part of the agreement, Boeing will purchase 80 percent of the joint venture, with Embraer owning the remainder. It will also manage operations in the South American country and hire a Brazil-based president and chief executive officer. The Brazilian company will keep the right to approve certain strategic decisions, including transfer of any operations from the country, The Seattle Times reported. The pact still requires a green light from the incoming Brazilian government and will then be subject to shareholder and

relying almost exclusively on public opinion to keep the momentum and govern effectively. In the wake of the referendum, there is reason for guarded optimism. Much remains to be done before concluding that things have turned out for the best.”

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: “President Martín Vizcarra is riding high, with an approval rating above 60 percent—the highest in 20 years for a Peruvian president after his honeymoon period. On Dec. 9, his administration tallied two breakthroughs: the referendum and a cooperation agreement with Odebrecht. In the referendum, Vizcarra’s recommendations prevailed overwhelmingly. Vizcarra had endorsed a return to a bicameral legislature, but he subsequently renounced it upon modifications (and it was voted down). Most Peruvians hail the ban on legislators’ re-election as a punishment for corruption; however, analysts fear that the ban discourages hard legislative work. The other two reforms are valuable. The new process for the appointment of Peru’s judges and prosecutors will be open to public scrutiny and led by a more appropriate set of authorities. Campaign donations and advertising will be regulated more strictly, and sanctions for violations will be stiffer. The Vizcarra administration’s second breakthrough, the agreement with Odebrecht,

Continued on page 4

regulatory approvals. Last week, a Brazilian appeals court overturned a lower court’s order to block the deal between Embraer and Boeing, after the country’s leftist Workers’ Party brought a class-action case to court. Judge Luiz Alberto de Souza Ribeiro ultimately ruled that the public interest had not been shown to be at risk and called the lower court’s injunction “hasty and unfounded,” Agence France-Press reported. The deal between the two airplane companies is expected to close by the end of next year, The Seattle Times reported.

FEATURED Q&A / Continued from page 3

is also helpful. Odebrecht will resume its operations in Peru in return for payment of a fine of roughly \$180 million as well as information and documentation about its bribery payments. Although all four presidents elected between 2001 and 2016 and opposition leader Keiko Fujimori are implicated in campaign-finance violations by Odebrecht executives' statements, all deny wrongdoing. The leaders' likely corruption has weighed heavily on Peru for almost two years, and definitive evidence will be welcome. Overall, whereas a year ago it appeared that a gravely wounded president would hobble through his remaining three years, now the prospect is for stable, effective, democratic governance, and Peru's business climate is brightening. Recently, Peru's 2018 growth forecast rose slightly, to about 4 percent, above Chile, Colombia and Ecuador. Peru's agricultural exports are robust, mining investment is strong and public investment, which had slowed, should resume."

A **Katya Salazar, executive director of the Due Process of Law Foundation:** "The constitutional reforms approved in the recent referendum are exceptional measures for an exceptional situation, such as the one that Peru is currently experiencing. Thanks to investigative journalism and sectors of the national prosecutor's office that are committed to the fight against corruption, we have learned of the existence of corrupt networks made up of judges, prosecutors, politicians and members of Congress. These networks have operated with impunity, taking advantage of their official positions to make decisions that have benefited members of the network. The measures that President Vizcarra proposed and voters approved in the referendum touch on crucial points: they eliminate the Judicial Council (Consejo Nacional de la Magistratura) and assign the

selection, promotion and destitution of judges and prosecutors to the National Justice Board (Junta Nacional de Justicia), a new entity that must respond to the current challenges and follow international standards to avoid co-option of justice institutions. The measures establish new, more restrictive

“**The measures that President Vizcarra proposed and voters approved in the referendum touch on crucial points.”**

— **Katya Salazar**

rules for funding of political parties, to avoid Odebrecht-type cases which bought loyalty of politicians (and future infrastructure concessions). They also eliminate the possibility of immediate re-election of congressional representatives, a polemic measure in consolidated democracies, but understandable in light of the current completely delegitimized Peruvian Congress. Possibly the only positive thing about the Odebrecht case is that it has allowed us to understand how 21st century criminal organizations function. The recent effective collaboration agreement signed between the Brazilian and Peruvian prosecutor's offices might uncover even more information and lead to further understanding of this transnational phenomenon. Nevertheless, knowing the truth and promoting accountability will always be positive, even for economic investment that respects legality and the rule of law."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Anastasia Chacón González

Reporter
achacon@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Bruno Binetti, Nonresident Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Peter D. Bell Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development and External Relations

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at fretrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.