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FEATURED Q&A

Will New Cabinet Members Energize Peru's Government?



Peru's president tapped Salvador del Solar to be his new prime minister on March 11. // File Photo: Peruvian Government.

Q President Martín Vizcarra tapped former Culture Minister Salvador del Solar as Peru's new prime minister in his latest cabinet shuffle. Media reports suggested that lower approval ratings for Vizcarra's administration, following relatively high popularity last year, prompted the change. Vizcarra opted to keep Finance Minister Carlos Oliva and Energy and Mines Minister Francisco Ísmodes, but he replaced eight other members of his cabinet, including the production and agriculture ministers. Is del Solar a good fit for the job, and what will his priorities be as Peru's prime minister? Why did Vizcarra choose to maintain Oliva and Ísmodes in the cabinet, and are the new appointments good picks? What direction will the government's policies take after the shuffle?

A Cynthia McClintock, professor of political science and international affairs at George Washington University: "The key purpose of President Vizcarra's first cabinet, appointed immediately after the tumultuous forced resignation of Pedro Pablo Kuczynski (PPK), was democratic stability. The first prime minister, César Villanueva, a legislator from a second-tier party, was a bridge between Vizcarra and Congress. Now, one year later, with democratic stability achieved, Vizcarra is advancing his own political agenda. Salvador del Solar should be a more effective communicator with the Peruvian people. Politically ambitious, del Solar is a well-known former actor with a master's degree in international relations from Syracuse University. Culture minister under PPK, del Solar resigned to protest the president's pardon of Alberto Fujimori. Vizcarra's eight new ministers (in agriculture,

Continued on page 3

TODAY'S NEWS

POLITICAL

Lapin Tapped as Haiti's Acting Prime Minister

President Jovenel Moïse named Jean-Michel Lapin as the country's acting prime minister. Lapin's predecessor was the target of nationwide protests last month and a censure vote in Parliament on Monday.

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ECONOMIC

Argentina's GDP Shrinks 2.5%

Last year's economic performance was Argentina's worst since 2014, when it defaulted on debt. The economic contraction in the fourth quarter was the worst since 2009.

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POLITICAL

Brazilian Police Arrest Former President Temer

Michel Temer, who left office as Brazil's president in January, was arrested in connection with the massive Car Wash corruption case. He was detained outside his home in São Paulo and jailed in Rio de Janeiro.

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Temer // File Photo: Brazilian Government.

POLITICAL NEWS

Authorities Arrest Former Brazilian President Temer

Former Brazilian President Michel Temer, who left office less than three months ago, was arrested Thursday in connection with the sprawling Car Wash corruption case, O Estado de S.Paulo reported. Temer, 78, stands charged with corruption and money laundering and is accused of orchestrating a scheme that took bribes in return for government contracts involving a nuclear power plant, The Washington Post reported, citing prosecutors. Altogether

“He occupied the highest office in the country and committed the gravest crimes in the penal code.”

— Eduardo El Hage

he faces 10 criminal counts, with half of them allegedly committed while he was in office. A portion of the alleged bribe money was purportedly paid out through a renovation, which cost \$400,000, of his daughter's apartment. Temer was arrested as he attempted to leave his home in São Paulo on Thursday morning, The Wall Street Journal reported. Federal police carrying machine guns surrounded Temer's car, took him into custody and flew him to Rio de Janeiro, where he was jailed. “He occupied the highest office in the country and committed the gravest crimes in the penal code,” federal prosecutor Eduardo El Hage told reporters, The Washington Post reported. “Just because he's a rich, white man does not mean we will be lenient given the crimes he committed inside the [presidential palace].” Police also arrested Wellington Moreira Franco, Temer's former minister of mines and energy. Prosecutors said Thursday that they are detaining Temer until his trial because of attempts he allegedly made to obstruct justice. The former president is

accused of monitoring investigators involved in his case and collecting information about them. Temer has repeatedly denied wrongdoing. In an emailed statement, Temer's lawyer, Eduardo Pizarro Carnelós, said there was no legal basis for Temer's arrest and accused prosecutors of seeking to display the former president “like a trophy,” The Wall Street Journal reported. Temer took office in 2016 after his predecessor, Dilma Rousseff, was impeached and removed from office over budget irregularities. Temer remained in office until he was succeeded on Jan. 1 by current President Jair Bolsonaro.

Lapin Tapped as Haiti's Acting Prime Minister

Haiti's president on Thursday named Jean-Michel Lapin, the country's culture and communications minister, as his government's acting prime minister, Agence France-Presse reported. The move followed lawmakers' vote on Monday to censure Prime Minister Jean-Henry Céant, saying he had failed to improve the country's living conditions. Céant had been the target of nationwide protests in February. On Thursday, Céant tendered his resignation to President Jovenel Moïse. “To avoid a constitutional imbroglio in the country, which needs peace so much, I give you my resignation,” Céant said in his resignation letter.

ECONOMIC NEWS

Argentina's Economy Contracts 2.5 Percent

Argentina's economy contracted 2.5 percent last year, the country's official statistics agency said Thursday, Bloomberg News reported. It was Argentina's worst performance since 2014, when it defaulted on its debt under the previous government. GDP dropped 6.2 percent in the last quarter of 2018, as compared to a year earlier, the worst quarterly performance

NEWS BRIEFS

At Least Nine Killed in Colombia Blast

An unexplained explosion in Dagua, a mostly indigenous town in southwest Colombia, killed at least nine people and injured four others on Thursday, local authorities said, Reuters reported. The incident followed 10 days of blockades in the town's main highway, as hundreds of members of indigenous groups demand land titles and funding for social programs. The protests have caused shortages of gasoline and food in some cities.

FIFA Bans Former Ecuadorean Soccer President for Life

The ethics committee of soccer's world governing body, FIFA, on Thursday doled out a lifetime ban to a former Ecuadorean soccer federation president in connection with bribes he was convicted of taking related to the Copa América and Copa Libertadores tournaments, the Associated Press reported. Luis Chiriboga was also fined one million Swiss francs (\$1 million). Chiriboga was convicted in Ecuador of money laundering and sentenced to 10 years of house arrest.

Brazilian Court Orders Vale to Halt Operations at Iron Ore Complex

A Brazilian court in Minas Gerais State has ordered mining company Vale to suspend operations at its Dique III iron ore complex, Reuters reported Thursday, citing a court document. The miner has been the target of several court verdicts to halt activity at its complexes after one of its dams burst in January, killing more than 300 people. Earlier this week, another court allowed Vale to resume operations at the Brucutu mine, its largest iron ore complex in Minas Gerais. [Editor's note: See related [Q&A](#) in the Feb. 12 issue of the Advisor.]

since 2009, according to the report. Analysts had forecast a 6.4 contraction. Unemployment also rose in the fourth quarter, by a notch to 9.1 percent from the previous period. [Editor's note: See related [Q&A](#) in the Feb. 19 issue of the Advisor.]

BUSINESS NEWS

Mexico May Use Part of Stabilization Fund to Pay Pemex Debt

The Mexican government is considering using part of a \$15.4 billion public income stabilization fund to pay some of state oil company Pemex's debt obligations, the country's deputy finance minister said Thursday, *El Financiero* reported. In announcing that the finance ministry is looking to make the fund counter cyclical, Deputy Finance Minister Arturo Herrera added



Herrera // File Photo: Mexican Government.

that the ministry would "like to use it to pay some of the debt obligations that Pemex has," Reuters reported. He said the specific plan would be announced in the next two or three weeks. Pemex, which holds roughly \$107 billion in financial debt, is the world's most indebted major oil firm, Bloomberg News reported. Ratings agency Fitch downgraded the company's credit rating in late January, citing its high leverage and tax burden. Strengthening Pemex is one of President Andrés Manuel López Obrador's priorities. The president, who has blasted Fitch Ratings' downgrade as unfair, last month announced a plan to help bolster the state oil company's finances. It includes \$1.3 billion in tax breaks over six years.

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culture, development and social inclusion, education, the environment, housing, production and women's issues) are praised for their strong credentials and experience in their sectors. The new cabinet continues the trend of the ascendance of the state over the political party; only two ministers are party representatives. For the second time in Peru, the new cabinet achieves gender parity; it is expected to be more liberal on social issues and on human rights generally. Vizcarra's emphasis on fighting corruption (the primary reason for his popularity) will continue; Justice Minister Vicente Zaballos remains, despite criticism from pro-Fujimori leaders. Although Carlos Oliva, a long-timer in the economics ministry, and Francisco Ísmodes, a former mining executive, also remain in their portfolios, and Peru's long-standing market-friendly economic policies will continue too, the fight against corruption is extending to building the rule of law more broadly. Initiatives against tax evasion, tax loopholes and illegal mining are likely. Further, Vizcarra's government has attended protesters' demands somewhat more than PPK's, and this tendency will probably continue."

A **Julio Carrión, associate chair of the political science and international relations department at the University of Delaware:** "Salvador del Solar is a new kind of politician in Peru. He comes from an old family of illustrious educators and politicians and exhibits a professional trajectory that includes a career in the movie industry as well as training in law and international relations. It is no secret that he has political ambitions and will certainly use his appointment as a launching pad for a presidential bid. He represents a segment of the emerging political class that has socially liberal values and is willing to curtail the prevalent orthodoxy in economic policy while still embracing market economics. Whether he will be able to stop, or even reverse, Vizcarra's declining popularity de-

pends on how he handles the main issues of the moment: the fight against state corruption and the reforms of the judiciary and the political system. In all these areas, Vizcarra and del Solar will face strong opposition from the fujimorista and the aprista parties in Congress. The government is structurally weak because it lacks congressional representation and therefore must rely on public opinion to keep political momentum. But

“ Keeping Carlos Oliva as finance minister sends the message that Vizcarra does not want to challenge the economic model.”

— Julio Carrión

the divisions among the fujimoristas, which Keiko's preventive detention triggered, give del Solar and Vizcarra a golden opportunity to push for these reforms. Keeping Carlos Oliva as finance minister sends the message that Vizcarra does not want to challenge the economic model, even as he considers new labor legislation. Minister Ísmodes has been retained because of his involvement with the new energy bill that is still pending in Congress. Del Solar will unveil his governmental platform in the speech to Congress he is constitutionally required to deliver in order to request a vote of confidence. It could be a moment of further confrontation between the government and the congressional opposition."

A **Francisco Durand, professor of political science at the Catholic University of Peru:** "The cabinet change was more a presidential need to reorganize the government and show leadership at a time when approval ratings are beginning to decline than a demand of public opinion or the result of a crisis. The two key economic positions (economy

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and finance, mining and energy) have not changed, a message that economic policy continuity is guaranteed. There are many new faces, all relatively unknown, mostly technocrats, except Salvador del Solar, an outspoken, charismatic prime minister with good communications skills. The 'big change' was gender parity in the cabinet, an experiment that has taken many by surprise and is welcomed by most. Now that congressional opposition has waned, it is time for Vizcarra to demonstrate his ability to deal with the main issues. Natural disasters in many areas in 2018 and this year call for quicker responses and more efficiency.

“Now that congressional opposition has waned, it is time for Vizcarra to demonstrate his ability to deal with the main issues.”

— Francisco Durand

The government is betting on private-public partnerships. The fight against corruption supported by a president untainted by the Odebrecht scandal is still moving forward. But politicians and business leaders involved in the 'Lava Jato' scandal are strongly resisting the anti-corruption drive, trying to block investigations and gain leverage among judges. Consequently, the judicial system is internally divided and the outcome unknown. Vizcarra will pay the price if the forces of corruption win, or he may increase his political capital if at least the major cases move forward. On the social front, big mining and the minister of mines and energy want the Tía María copper project to start despite the fact it lacks a social license to operate. Also, big business is worried about the imminent approval of anti-tax evasion legislation at a moment when tax collection declines, because OECD membership depends on better regulatory capabilities. In sum, it is time to

govern and communicate results to consolidate a weak president without a party, a social base and congressional support.”

A **Jose E. Gonzales, managing partner of GCG Advisors:** “President Vizcarra’s cabinet ‘refresh’ characterizes contemporary Peru, which enjoys and extols stability. The cabinet shuffle might indeed obey, in part, to a decrease in the president’s popularity, but such a fact is in no way dramatic, since his approval ratings are at a very positive 55 percent, as compared to 66 percent at the end of last year, according to Ipsos Peru. The change was deemed necessary to focus Vizcarra’s administration on its productive agenda after a political transition that took its toll on Peru’s pressing needs. As such, Salvador del Solar’s initial statements underlined that his appointment and agenda are not the product of a crisis, but rather to fulfill the government’s ambitions. Among those, the new cabinet’s initiatives should focus on public investment in infrastructure and the promotion of private investment to dynamize growth and competitiveness while keeping a healthy level of employment amid continuing decentralization and environmental proposals. On the political front, the cabinet would still face Congress’ fujimorista majority and its confrontational attitude in lieu of continuing initiatives toward political and judicial reforms in its drive against corruption. Within such an agenda, del Solar seems to be a good fit for the job, given his politically neutral background amid a parity cabinet that includes nine women and nine men. The maintenance of the ministers of economy and of energy and mines points to a continuation of policies that have kept Peru on the right track in these sectors, while the renewal in industry, agriculture and housing underline the sectors that do need a refresh.”

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