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FEATURED Q&A

Why Does Peru's President Want Early Elections?



In a speech to Congress last month, Peruvian President Martín Vizcarra proposed early presidential and legislative elections next year. // Photo: Peruvian Government.

Q In a speech before Peru's Congress on July 28, President Martín Vizcarra proposed cutting short his own term, and those of lawmakers, by a year. He proposed a November referendum, which would ask voters whether to move the elections forward to next year. Why is Vizcarra calling for early elections? Will the referendum get onto the ballot, and will voters approve it? How would early presidential and legislative elections affect the country and its politics?

A Julio Carrión, associate professor and associate chair of the Department of Political Science and International Relations at the University of Delaware: "Peru is navigating turbulent waters. The confrontation between a minority president who is still reasonably popular and a hostile Congress that is deeply unpopular has brought Peruvian politics to the brink on more than one occasion in the past 18 months. In each case, the fujimorista-controlled Congress blinked first. Will it happen again this time? That is likely, because there is no better alternative. Why did Vizcarra call for early elections? It was the least bad of the choices he confronted once it became clear that Congress would approve with significant changes the six proposals for constitutional reform that he submitted to Congress 'as a matter of confidence.' Vizcarra threatened that such an alteration would be construed as rejecting the vote of confidence and therefore allow him to call for early congressional elections, but he reconsidered. His initial threat was highly problematic, probably unconstitutional and would have created a protracted legal battle, if not a severe constitutional crisis. Asking Congress to

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TODAY'S NEWS

POLITICAL

Mexico Busing Asylum Seekers From U.S. Border to Chiapas

Mexico is transporting migrants who have applied for asylum in the United States to the southern state of Chiapas by bus. Waiting for their hearings in southern Mexico is a "safer alternative" for some migrants, the Mexican government said.

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BUSINESS

CPFL Energia Eyes Purchase of Cemig

Brazilian power company CPFL Energia is considering the purchase of Companhia Energética de Minas Gerais, or Cemig, said CPFL's chief executive officer.

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ECONOMIC

Argentina's Finance Minister Steps Down

Argentine Finance Minister Nicolás Dujovne resigned Saturday, nearly a week after incumbent President Mauricio Macri suffered a stunning defeat in the country's primary election.

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Dujovne // File Photo: Argentine Government.

ECONOMIC NEWS

Argentine Finance Minister Resigns After Election Rout

Argentine Finance Minister Nicolás Dujovne resigned on Saturday, nearly a week after Peronist opposition candidate Alberto Fernández trounced President Mauricio Macri in the country's primary elections, Clarín reported. "I [resign] convinced that, in light of the circumstances, the administration that you lead needs

“Undoubtedly we have made mistakes.”
— Nicolás Dujovne

a significant renewal in the economic area,” Dujovne wrote in his resignation letter to Macri, admitting that “undoubtedly we have made mistakes,” The Wall Street Journal reported. He said his resignation was consistent with a government that “listens to the people, and acts in consequence.” Macri's resounding loss, which was seen as reflecting discontent with the government's perceived poor performance since a currency crisis last year, sent the peso spiraling, depreciating by 15 percent a day after the vote. Bond prices fell, and the local stock market lost 37 percent of its value, the biggest drop in its history and among the largest falls in any stock market in 70 years, The Wall Street Journal reported. Investors are concerned with the possible return of a Peronist government with interventionist economic policies, as was the administration of Cristina Fernández de Kirchner, who is running as Fernández's vice president. Last week, Macri announced a series of economic measures designed to help Argentines through the recession, including a hike on wages and increased subsidies and loans for small businesses. Hernán Lacunza, a finance minister for Buenos Aires Province, will replace Dujovne, Clarín reported. [Editor's note: See related [Q&A](#) in the Aug. 14 issue of the Advisor.]

POLITICAL NEWS

Mexico Busing Asylum Seekers in U.S. to Chiapas

Mexico is busing migrants who have applied for asylum in the United States to the southern state of Chiapas, the Mexican government said Friday, the Associated Press reported. Approximately 30,000 migrants have been sent back to northern Mexican cities as part of the “Remain in Mexico” policy, under which asylum seekers are returned to Mexico while they await their asylum hearings in the United States. Mexico's National Immigration Institute said the busing aims “to provide a safer alternative for those who do not want to remain on the U.S.-Mexico border,” the AP reported. Many cities on Mexico's northern border are among the country's most dangerous, including Nuevo Laredo and Matamoros, where most migrants were being sent back before. The migration agency did not



Giammattei // File Photo: Giammattei Campaign.

say how many people had been taken by bus to Chiapas so far, and it did not provide information as to how the migrants would return to the U.S.-Mexico border for their court dates. In related news, the U.S. State Department said Friday that it is working with Guatemala to implement the “safe third country” deal it reached with current President Jimmy Morales' government despite statements by Guatemalan President-elect Alejandro Giammattei that he cannot follow through with the deal, ABC News reported. Giammattei, who takes office in January, has said that Guatemala does not fulfill the requirements of being a safe third country. The agreement would allow the United States

NEWS BRIEFS

Puerto Rico's Governor Plans to Remain in Office to Fight Corruption

Wanda Vázquez, who took over as Puerto Rico's governor nearly two weeks ago, told the Associated Press in an interview published Friday that she plans to remain in office in order to fight corruption, secure federal money for hurricane recovery and boost the U.S. territory's economy. Vázquez said she plans to create a new panel to fight graft.

Brazil's CPFL Energia Considers Potential Purchase of Cemig

Brazilian power company CPFL Energia might purchase utility Companhia Energética de Minas Gerais, or Cemig, as part of its expansion strategy, CPFL Chief Executive Officer Gustavo Estrella told Reuters on Friday. “Cemig is in the same region as CPFL, so it's an asset that we would have to look at and evaluate,” he said in an interview. Earlier on Friday, Cemig CEO Cledorvino Belini said the utility's privatization may be approved by the end of the year. Cemig has a market value of 22 billion reais (\$5.5 billion), according to Reuters.

China National Petroleum Suspends Oil Loadings From Venezuela

Chinese state-owned company China National Petroleum Corp., or CNPC, has suspended oil shipments from Venezuela following the latest round of U.S. sanctions against the government of Venezuelan President Nicolás Maduro, Reuters reported today, citing two Beijing-based senior sources with direct knowledge of the matter. CNPC is waiting for more guidelines from the U.S. Treasury before moving forward in dealing with Venezuelan oil, as the Chinese company is “worried that [it] is likely to be hit by the secondary sanctions,” one source said.

to deport migrants seeking asylum there to Guatemala if they passed through the Central American country on their journey north.

BUSINESS NEWS

Santander to Use Ripple for Money Transfers to U.S.

Spanish bank Santander plans to use a service of U.S.-based technology company Ripple Labs to open what it calls a new “payment corridor” for money transfers from Latin American countries to the United States, Coindesk reported today. The bank is working on establishing the money-transfer option for customers via the One Pay FX application, which uses Ripple’s xCurrent software, Santander officials told Coindesk. Currently, Santander’s customers in Britain and Spain can send money to the United States using the technology. In Latin America, Santander has operations in Brazil, Mexico, Chile and Uruguay, but it did not say which of its units in the region will be connected to the new service. The service will not involve the XRP cryptocurrency, which Ripple has occasionally sold in order to fund its operations. Last year, the bank introduced the One Pay FX app in Spain, Britain, Brazil and Poland, which together account for more than half of Santander’s profits. “Customers who were not doing international transfers are now using the service, customers who were using international transfer are now doing it more, and customers who had gone to use fintech competition have come back because of the One Pay offering,” Cedric Menager, the chief executive officer of One Pay FX, told CoinDesk in an interview. He added that the xCurrent system does not charge fees to customers and allows them to see exchange rates before they execute money transfers. Santander would not disclose its transaction volumes for the One Pay FX system, but it said the volumes have tripled since January. It added that its volumes from Spain rose 120 percent in April, as compared to the same month last year.

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enable a mechanism for early general elections is a face-saving maneuver, but it allows Vizcarra to retain the political initiative. The fujimoristas and apristas in Congress would rather impeach and remove him from office, but they don’t have the votes for that. They do have the votes to prevent the referendum, but that would make them even more unpopular. So, the question is now a matter of political calculation. Would they be in a better position if they reject the call for early elections? Probably not. Vizcarra has the upper hand because he can always declare the vote on the referendum a ‘matter of confidence,’ forcing Congress to either approve it or give him the second rejection he needs to call for early congressional elections. (And he wouldn’t even have to cut his term short in this scenario). If the referendum is held, people will overwhelmingly vote in favor of early elections. It is a messy way out of a deep political impasse.”

A **Maria Luisa Puig, director for Latin America at the Eurasia Group:** “In a rather surprising move, President Martín Vizcarra proposed bringing general elections forward by one year, to April 2020, as a way to resolve longstanding confrontation between the executive branch and the congressional opposition. Similar to the presidency of his predecessor, Pedro Pablo Kuczynski, Vizcarra’s term in office has been characterized by intense confrontation between both branches, along with a corruption scandal related to Odebrecht’s illicit activities in the country, which has implicated politicians across the spectrum. Anger with the political class has deepened as a result. Vizcarra’s constitutional reform proposal is widely popular, but the path for early elections will likely be turbulent. Lawmakers are reluctant to leave their seats ahead of 2021 in a context in which re-election has been banned, and their low levels of support will make their re-election very unlikely, even if they were allowed to run. Vizcarra is still short

of the 66 votes required for his initiative to be approved in Congress and submitted to a popular referendum. Other paths for early elections include a confidence vote request that could lead to the dissolution of

“**Vizcarra’s constitutional reform proposal is widely popular, but the path for early elections will likely be turbulent.**”

— Maria Luisa Puig

Congress, and the resignation of both Vizcarra and Vice President Mercedes Aráoz. However, any attempt to dissolve Congress would probably face legal challenges, while Aráoz does not seem to be willing to forgo the presidency. Political turmoil and the unfolding of corruption investigations point to an anti-establishment election, regardless of when this is held, in line with the latest electoral cycle in the region.”

A **Carlos Vargas Alencastre, CEO of Vargas Alencastre, García & Asociados:** “President Vizcarra’s proposal is a desperate measure to combat corruption that has grown deep in the Peruvian legislative framework. In his proposal, it is stipulated that the approval must be ratified by referendum so that the people can express their voice on this issue. The proposal will be discussed in the constitutional commission of Congress. Regardless of who leads this commission, I believe the proposal will be approved, due to social and political pressure on legislators. Once the proposal is submitted to a referendum, the latest surveys indicate that it will almost certainly be approved. Obviously, this process will have a large impact on Peru. Political uncertainty will be created, but this situation is a necessary evil as corruption has been significantly implanted in Peruvian

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politics. It is time to make a positive change so that we can start having legislators whose main objective is the optimal development of our country and its people.”

A **Jose E. Gonzales, managing partner of GCG Advisors:** “President Vizcarra and Congress have been involved in a tug of war, which Vizcarra inherited from Pedro Pablo Kuczynski when he took over the presidency in March 2018. He has tried several measures to cajole lawmakers into advancing political reform. However, Congress’ fujimorista majority, aided politically by APRA’s

“**Congress’ fujimorista majority, aided politically by APRA’s small but mischievous representation, have stalled reforms.**”

— Jose E. Gonzales

small but mischievous representation, have stalled reforms, even though they were endorsed by a national referendum and a key confidence vote that could have dissolved Congress. Amid those circumstances, President Vizcarra seems to be trying a political neutron bomb whose triggering would reset Peru’s political dynamics, forcing a renewal of Congress and his own presidency through early elections. Having said that, it is a peculiar move because a referendum mechanism would require the approval of Congress, whose members haven’t shown any inclination to self-destruct. From this perspective, the initiative might stall and result in business as usual, which will in turn

irk Peruvians who have expressed massive support for early elections. According to an Ipsos poll in early August, 75 percent of Peruvians are in favor of the referendum, and 77 percent of them would vote in favor of early elections. If the initiative were to come to a halt in Congress, Vizcarra’s presidency would deepen the perception of being an ‘accidental’ one, in which the president lacks authority and leadership. This perception is already widening with the president’s back-and-forth handling of the Tía María construction license in Peru’s never-ending and misled ‘pro-mining’ vs. ‘anti-mining’ debate.”

A **Lee Sutton, country risk analyst at Fitch Solutions:** “Vizcarra is attempting to use brinkmanship to convert his popular support into leverage over the opposition-controlled Congress. However, the Popular Force (FP)-controlled Congress is unlikely to approve Vizcarra’s proposed amendment, as the FP likely recognizes that in its weakened state, it would struggle to remain competitive. If Vizcarra can keep public pressure on Congress over anti-corruption measures, Congress could revisit the political reforms passed in July and make them more stringent, in line with Vizcarra’s demands, which would give him an off-ramp to withdraw the proposal. However, the frequent brinkmanship from both sides—including the FP’s recent threats to impeach Vizcarra—undermines governability, creates a risk of gridlock and political stagnation and increases uncertainty over the government’s continuity.”

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Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Anastasia Chacón González

Reporter
achacon@thedialogue.org



Michael Shifter, President

Rebecca Bill Chavez, Nonresident Senior Fellow

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