LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Thursday, October 17, 2019

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Devry Boughner Vorwerk
CEO,
DevryBV Sustainable Strategies

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes
Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President, Boeing Latin America

Jon E. Huenemann
Former Corporate and
Government Senior Executive

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

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

Shelly Shetty
Head of Sovereign Ratings,
Latin America, Fitch

Roberto Sifon-Arevalo
Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

THEDIALOGUE

FEATURED Q&A

Has Peru's Vizcarra Outsmarted His Opponents?

President Martín Vizcarra may have emerged emboldened after dissolving the legislature, but on Jan. 26, Peruvians will elect a new Congress, and it could prove unwieldy, Cynthia McClintock writes below. // File Photo: Peruvian Government.

Q Peruvian President Martín Vizcarra appointed new ministers this month as dismissed lawmakers' challenges to his presidency died down. The new cabinet's swearing-in followed the president's invocation of the Constitution to dissolve Congress and call for new legislative elections, an act that triggered a standoff with opposition legislators and ultimately resulted in Vice President Mercedes Aráoz's resignation. Was Vizcarra's move justified? What consequences does Congress' dissolution have on Peruvian politics in the short and long terms? Is the president now more emboldened than ever, and will he finally be able to pass his controversial anti-corruption reforms?

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "Vizcarra's approval rating has soared toward 80 percent. Most Peruvians despised a Congress that had brazenly flouted Vizcarra's anti-corruption reforms and archived his proposal for early legislative and presidential elections. On Sept. 30, Vizcarra tied a vote of no confidence to transparency in the Congress' election of new members of Peru's Constitutional Tribunal, stipulated to be 'autonomous' in Peru's constitution. (The tribunal was to rule on the pre-trial detention of Keiko Fujimori, the leader of the dominant party in Peru's legislature, accused of corruption.) Aware that a vote of no confidence would spark its dissolution, the Congress did not so vote, but it elected a new member for the tribunal—the first cousin of the Congress' speaker—in an opaque and rushed

Continued on page 2

TODAY'S NEWS

POLITICAL

Trump to Release $143 Million in Aid to Central America

The U.S. president had held up some $400 million in funding in order to pressure the governments of El Salvador, Guatemala and Honduras into doing more to deter migration to the U.S. southern border.

Page 2

POLITICAL

Protests in Haiti Continue Amid Funerals for Killed

Thousands of people across Haiti attended funerals Wednesday for protesters who have died in ongoing demonstrations aimed at ousting President Jovenel Moïse.

Page 2

ECONOMIC

Guedes Stays in Brazil to Push for Economic Reforms

Brazilian Economy Minister Paulo Guedes has canceled his trip to the World Bank/International Monetary Fund annual fall meetings in Washington to deal with his economic agenda now working through Congress.

Page 3

Guedes // File Photo: Brazilian Government.

COPYRIGHT © 2019, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Trump to Release $143 Million in Aid to Central America

U.S. President Donald Trump on Wednesday agreed to release $143 million in foreign aid to Central America, The Washington Post reported. He had frozen the money earlier this year to pressure the governments of El Salvador, Guatemala and Honduras, referred to as the Northern Triangle countries, to help alleviate a migration surge at the U.S. southern border. The three countries agreed to sign accords with the United States that will potentially allow the Department of Homeland Security to send asylum seekers from the U.S. border back to Central America. "Guatemala, Honduras & El Salvador have all signed historic Asylum Cooperation Agreements and are working to end the scourge of human smuggling," the president wrote on Twitter. "To further accelerate this progress, the U.S. will shortly be approving targeted assistance in the areas of law enforcement & security." The decision does not restore all of the money Trump suspended, however, some of which has been diverted to support the Venezuelan opposition. Representative Eliot L. Engel (D-N.Y.), the chairman of the Foreign Affairs Committee in the U.S. House of Representatives, issued a statement Wednesday criticizing Trump for not releasing all the funds, which he said total $400 million. "President Trump's counterproductive decision to cut off assistance to El Salvador, Guatemala and Honduras has damaged our standing in the Americas while also stopping us from addressing the root causes of child and family migration," he said. "It has been a gift to countries like China and Russia who are eager to fill the large void left by the Trump Administration." Kevin McAleenan, the acting secretary of the Department of Homeland Security, who last week announced his intention to resign his position, is traveling to El Salvador this week and will reportedly announce the restoration of the aid today while there. Trump has said he plans to name McAleenan's replacement this week.

Protests in Haiti Continue Amid Funerals for Killed

Thousands of people across Haiti attended funerals Wednesday for protesters who have died in ongoing demonstrations aimed at ousting President Jovenel Moïse, The Jamaica Gleaner reported. The funerals for 11 of at least 20 people killed were held in six cities, including the capital of Port-au-Prince. The funeral processions had a protest atmosphere, according

FEATURED Q&A / Continued from page 1

process. Vizcarra argued that Congress' action was tantamount to a no-confidence vote; his argument was deemed correct by most Peruvians, the national associations of governors and mayors, the security forces and groups of constitutional lawyers. The Organization of American States did not endorse Vizcarra's argument but welcomed new elections. Vizcarra is emboldened; his new cabinet includes three close allies. His anti-corruption reforms will proceed. However, on Jan. 26, Peruvians will elect a new Congress, and it could prove unwieldy. Vizcarra has no party of his own. Although the previously dominant Fujimorista and APRA parties will fade, leftists and independents will rise and could complicate Vizcarra's economic program, which has remained largely pro-market. There are uncertainties: re-election provisions are unclear and, although the Constitutional Tribunal is to rule on the dissolution in several months, its composition is unclear. Over the longer term, the hope is that a president's right to dissolve Congress if it repeatedly and wantonly obstructs the executive will be respected. Also, the hope is that a president will not stretch this right into an abuse of power."

Continued on page 4

NEWS BRIEFS

Mexico's América Móvil Considers Bid for Oi Assets in Brazil

América Móvil, the largest telecommunications service provider in Mexico, is open to discussing a deal with Brazil's Oi, the Mexican company said Wednesday amid speculation that Oi is in talks to sell its assets, Reuters reported. América Móvil, which the family of billionaire Carlos Slim controls, this year has moved to expand its presence in Latin America through several acquisitions, including in El Salvador and Brazil. The Mexican company on Tuesday registered a 31 percent decline in third-quarter net profit, largely due to foreign exchange losses, The Wall Street Journal reported.

Peruvian Military Tries to Open Access to Las Bambas Copper Mines

Peru's armed forces on Wednesday began efforts to unblock access to one of the country's largest copper mines, known as Las Bambas, Reuters reported. The move came after the government declared a 30-day state of emergency in the area, in Cusco Region. Protesters have been blocking roads leading to Las Bambas, which Chinese miner MMG controls, for nearly a month. [Editor's note: See related **Q&A** in the Aug. 28 issue of the Advisor.]

Ecopetrol Finds Oil in Santander Department

Colombian state oil company Ecopetrol on Wednesday announced it had discovered oil at the Flamencos-1 well in Santander Department in northern Colombia, Portafolio reported. During initial tests, the firm found an average daily flow of as much as 600 barrels of oil, Ecopetrol said. The discovery is in line with the company's near-field exploration strategy in a bid to reduce the amount of time it takes to boost oil reserves, Ecopetrol President Felipe Bayón said in the statement, Reuters reported.

COPYRIGHT © 2019, INTER-AMERICAN DIALOGUE

to the report, as mourners burned tires in the street outside the church services and shouted "Down with Jovenel!" and "Jovenel has to go!" Moïse held a press conference on Tuesday and said it would be "irresponsible" for him to step down and repeated calls for dialogue. The protests, initially started over corruption allegations against Moïse, have now encompassed a host of social and economic ills, with inflation that has reached 20 percent amid a shortage of basic goods. Meanwhile, the Inter American Press Association on Wednesday urged Haitian authorities to investigate the killing of journalist Néhémie Joseph, the second journalist to be murdered in Haiti since the start of the year. The group said Joseph's murder occurred weeks after the journalist posted on his Facebook account that he had received threats from politicians who accused him of instigating the demonstrations against Moïse.

ECONOMIC NEWS

Guedes Stays in Brazil to Push for Reforms in Congress

Brazilian Economy Minister Paulo Guedes on Wednesday canceled his trip to the World Bank/International Monetary Fund annual fall meetings in Washington to deal with his economic agenda now working through Congress, Reuters reported. The long-awaited overhaul of Brazil's costly pension system still lacks final congressional approval, and a second-round vote by the Senate is expected next week. Days ago, the IMF cut its Brazil growth estimate in 2020 to 2 percent, citing fiscal unbalance as one of the factors. In detailing his plans before Congress on Wednesday, Guedes minimized the consequences of the lower growth forecast for 2020 and said his reforms are "already working," Folha de S.Paulo reported. At the meetings in Washington, which kick off today, Brazil's government will be represented by Central Bank president Roberto Campos Neto and by Brazil's deputy economy minister for foreign trade, Marcos Troyjo.

CAPITOL HILL WATCH

A Look at U.S. Congressional Activity on Latin America

López Obrador Meets With U.S. Lawmakers

Photo: @lopezobrador_ via Twitter.

Mexican President Andrés Manuel López Obrador and other high-level officials on Oct. 8 met with a U.S. congressional delegation that included Rep. Richard Neal (D-Mass.), who chairs the House Ways and Means Committee, the Associated Press reported. At the meeting, López Obrador told the delegation that better wages and labor conditions in Mexico are part of his administration's goals, saying that "Mexico will no longer sustain its development on low salaries," according to Mexican Foreign Minister Marcelo Ebrard's account of the exchange. Improving wages and labor conditions have been sticking points for Democrats in the U.S. Congress holding up the approval of the United States-Mexico-Canada, or USMCA, trilateral trade deal. Mexico's Senate has ratified the agreement, but U.S. legislators have yet to do so. Reps. Jimmy Gomez (D-Cal.), Bill Pascrell (D-N.J.), Jimmy Panetta (D-Calif.) and Dan Kildee (D-Mich.) were also part of the delegation that met with the Mexican president. They all sit on the House Ways and Means Committee. [Editor's note: See related **Q&A** in the Oct. 9 issue of the Advisor.]

Rubio, Cruz Ask Trump For Help on Citgo

U.S. Sens. Marco Rubio (R-Fla.) and Ted Cruz (R-Tex.) have written a letter to President Donald Trump, asking him to take executive action to prevent holders of Venezuelan state oil company PDVSA's 2020 bond from seizing its U.S. refiner, Citgo, Reuters reported Oct. 11. Venezuelan opposition leader Juan Guaidó and his allies earlier this year took control over Citgo, one of the country's most crucial foreign assets, after the Trump administration recognized Guaidó as the South American nation's legitimate interim president. However, the refiner is at risk of falling into holders of PDVSA's bond, which is backed by a 50.1 percent stake in Citgo. A $913 million payment on the PDVSA 2020 bond is due at the end of October. [Editor's note: See related **Q&A** in the Oct. 11 issue of the Energy Advisor.]

Engel Applauds Block of Immigration Rule

U.S. Rep. Eliot Engel (D-N.Y.) on Oct. 11 applauded three federal court rulings blocking a regulation that would have allowed authorities to reject green card and visa applications for low-income immigrants. "I am happy to see that this rule was blocked by the court," Engel, who chairs the House Committee on Foreign Affairs, wrote on Twitter. "This Administration is hellbent on attacking immigrant communities and I will continue to stand against their horrible policies," he added. The rule would have made it easier to deny green card and temporary visas for migrants the administration deemed a burden on taxpayers, CBS News reported.

COPYRIGHT © 2019, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 2

Julio Carrión, associate professor and associate chair of the Department of Political Science and International Relations at the University of Delaware: "Was Vizcarra's move to dissolve Congress justified? Legally, his decision is open to debate. Politically, he had no choice, because the fujimorista majority had dared him to do so by pushing with the controversial election of new members for the Constitutional Tribunal. However, little jurisprudence exists on the kind of issues that the president can pose as 'questions of confidence,' and therefore the legality of his action will eventually be decided by the Constitutional Tribunal. Vizcarra's legal case was recently strengthened by the opinion issued by the European Commission for Democracy Through Law that correctly notes that the Peruvian Constitution 'does not set forth any explicit limitations with respect to the issues which may be linked to a question of confidence.' In addition, Vizcarra was not proposing a measure of constitutional reform—but rather a question of confidence regarding the procedures under which candidates for the Constitutional Tribunal are selected. When Congress proceeded to bypass his question of confidence, Vizcarra had no choice but to act. As expected, the public rallied overwhelmingly in favor of this action, with polls showing more than 80 percent of support for the dissolution of Congress. While perhaps justified in this case, Vizcarra's move shows the extraordinary constitutional powers that Peruvian presidents have, which reflect a legacy of a constitution drafted to favor Alberto Fujimori. The political establishment had been unable to reform this constitution after the fall of Fujimori, and Vizcarra has shown how it can be used effectively to subdue Congress. Such disparity in executive-legislative relations is not good for the long-term health of Peruvian democracy. Today Vizcarra is employing this immense power for noble purposes. In the short term, this move has the potential to produce a Congress willing to engage in necessary political and anti-corruption reform, and this can only be good news for a system badly in need of reform. In the long term, this action may set a dangerous precedent for future presidents who may have more nefarious purposes."

Jose E. Gonzales, managing partner at GCG Advisors: "The 'tug of war' between the executive and the legislative branches in Peru seemed to be a slow-motion affair meant to muddle any or all involved in the tussle for supremacy. On the day that President Martín Vizcarra dissolved Congress (Sept. 30), a series of rash decisions and confusing events led the rope to give way to the executive on the basis of a 'factual denegation of confidence' established by the appointment of a Supreme Justice by Congress. Constitutionally dubious, since it was based on a technicality, the decision was, perhaps, politically justified, assuming that Congress meant to vacate the presidency. Even though extremely popular, Congress' dissolution, implemented quickly and without a clear plan for the 'morning after,' generates a series of governance complications regarding the four-month interregnum until a new legislative election in January 2020 and further on until the general elections of 2021, agitating political ghosts and current confrontations and introducing difficulty in any implementation of public policy initiatives. President Vizcarra is an accidental head of state who cannot count on a proper political organization and seems to lack, at times, a clear and firm strategy that would require the new Congress' support to achieve success in its anti-corruption efforts, since the allowed executive decrees have severe limitations. Fortunately for Peru, all this political noise is not damaging the economy, which has been more affected by global dynamics than domestic politics so far."

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 © 2019

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter
achacon@thedialogue.org

THEDIALOGUE

Michael Shifter, President

Rebecca Bill Chavez, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Michael Camilleri, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Héctor Castro Vizcarra, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Peter Hakim, President Emeritus
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia and Latin America Program
Manuel Orozco, Director, Migration, Remittances & Development
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Mateo Samper, Nonresident 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 **ebrand@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.