

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

FEATURED Q&A

Who Has the Best Chances in Peru's Snap Election?



Later this month, Peruvians will elect legislators in a vote that President Martín Vizcarra called last September. // File Photo: Peruvian Government.

Q Peruvians on Jan. 26 will vote in a snap legislative election that President Martín Vizcarra called in September when he dissolved the country's Congress. Opinion polls showed that Vizcarra's dissolution of Congress had wide support, following what he said was the second no-confidence act against his government. Which parties and politicians will likely emerge with the upper hand in the legislative elections? Which issues will be most pivotal in the vote? How free and fair is the election likely to be? How will the election's results influence Vizcarra's agenda moving ahead?

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "In Peru, much has changed. For the first time in two decades, a president past his honeymoon period has an approval rating above 50 percent. The new Congress will not be dominated by Keiko Fujimori's Fuerza Popular, which included many leaders accused of corruption and blocked Vizcarra's anti-corruption reforms. Fuerza Popular retains only a small base; indeed, several prominent former leaders are running for another party. A second major party--the former president's Peruanos por el Cambio--is essentially defunct; several former leaders close to Vizcarra are running for Julio Guzmán's Partido Morado, disqualified on dubious grounds in 2016 but likely to make a mark now. A third major party, the leftist Frente Amplio, divided in 2017; one of the two factions has now acrimoniously divided again. To date, the focus of the brief campaign has been the formation of the legislative slates. Twenty-two slates have been approved; most candidates are relatively

Continued on page 3

TODAY'S NEWS

ECONOMIC

Remittances to Mexico Fall in November

Money transfers to Mexico declined in November for the first time in three years. Remittances totaled \$2.898 billion in November, a 2.3 percent decline, year-on-year.

Page 2

BUSINESS

Brazil's B3 Reducing Fees

The Brazilian financial exchange operator announced that it is lowering and simplifying fees that investors pay to trade stocks and over-the-counter products. The move is an effort to increase activity and boost competitiveness.

Page 3

POLITICAL

U.S. Sanctions Cuban Defense Chief Over Maduro Support

The United States slapped sanctions on Cuba's defense minister, Leopoldo Cintra Frías, and his two children over his support for the government of Venezuelan President Nicolás Maduro.

Page 2



Cintra // File Photo: Cuban Government.

POLITICAL NEWS

U.S. Sanctions Cuban Defense Chief Over Support for Maduro

The United States on Thursday imposed sanctions on Cuba's defense minister, Leopoldo Cintra Frías, over his support for embattled President Nicolás Maduro. In a statement, U.S. Secretary of State Mike Pompeo accused Cintra, the minister of the Revolutionary Armed Forces of Cuba, or MINFAR, of involvement "in gross human rights violations and abuses in Venezuela, including torturing or subjecting Venezuelans to cruel, inhumane, or degrading treatment or punishment for their anti-Maduro stances." Pompeo added, "Dismantling Venezuela's democracy by terrifying Venezuelans into submission is the goal of MINFAR and the Cuban regime." The sanctions also apply to Cintra's children, Deborah Cintra González and Leopoldo Cintra González. Under the penalty, the three are barred from entering the United States. "The international community can clearly see how fearful Cuba is of democracy—both for its own citizens and Venezuelans," Pompeo added. Venezuelan opposition leader Juan Guaidó, who has international recognition as Venezuela's legitimate interim president, on Sunday is seeking re-election as the leader of the country's National Assembly. The vote follows what the opposition says are intimidation efforts by Maduro's government, including the arrest last month of a lawmaker from Guaidó's party.

U.S. Begins Returning Migrants Seeking Asylum in Arizona

Customs and Border Protection officers in the United States for the first time Thursday began turning around migrants seeking asylum in Arizona and sending them to Nogales, Mexico, in an expansion of the controversial Migrant Protection Protocols, or "Remain in Mexico"

program, The Wall Street Journal reported. The migrants, many of whom traveled for months through dangerous territory fleeing violence and hardship at home, must now provide for their own food, shelter and other necessities. "First and foremost, [the return to Nogales] should serve as a deterrent," Roy Villareal, the Tucson sector chief for U.S. Border Patrol, told reporters. Human rights groups have criticized the policy. "This is a new level of logistical impossibility being put in front of people already facing just a litany of due-process violations preventing them from following through with their asylum claims," Ian Philabaum, an attorney with the Innovation Law Lab, which is suing the Trump administration over the legality of Remain in Mexico, told The Wall Street Journal. A decision in the case from the U.S. Ninth Circuit Court of Appeals is expected soon. A report released in December by the Human Rights First advocacy group documented at least 636 public reports of violence against asylum-seekers returned to Mexico including rape, kidnapping and torture, The Guardian reported.

ECONOMIC NEWS

Mexico's Remittances Fall in November for First Time Since 2016

Remittances that Mexicans working abroad sent home in November fell for the first time in three years, the country's central bank said Thursday, Milenio reported. Money transfers reached \$2.898 billion in November, 2.3 percent lower than the same month in 2018 and slightly below forecasts of \$3.0 billion. However, given the Mexican peso's 5.0 percent appreciation against the U.S. dollar over the last year, remittances dropped a more meaningful 9.6 percent, year over year, when measured in real local currency terms, Goldman Sachs analyst Alberto Ramos told clients in a research note. "Solid workers' remittances flows have been adding support to the current account and to private consumption, particularly for low-in-

NEWS BRIEFS

Last Year Was Most Deadly for Former FARC Since Peace Deal: U.N.'s Guterres

The past year was the most deadly for former members of the Revolutionary Armed Forces of Colombia, or FARC, since the rebel group signed a peace deal with Colombia's government in 2016, U.N. Secretary General António Guterres said in a report Thursday, the Associated Press reported. Seventy-seven members of the former rebel group were killed last year up to Dec. 26, as compared to 65 in 2018 and 31 in 2017, he said.

New Social Pact Sending 'Strong Message' to IMF: Argentina's Fernández

Argentine President Alberto Fernández said on Thursday that a social pact reached last week with private sector leaders and trade unions is sending a "strong message" to creditors, including the International Monetary Fund, that the economy must grow before the country can pay its debts, Reuters reported. "It is the first time where businessmen, workers, and the state come together to tell creditors that ... Argentina must first grow and then meet its obligations," Fernández said in an interview with local station Radio 10. Fernández faces restructuring talks with creditors and the IMF over Argentina's \$100 billion debt burden.

Brazil's Trade Surplus Shrinks 20% as Demand for Country's Goods Falls

Brazil's trade surplus shrank 20 percent last year to \$46.67 billion as overseas demand for the South American country's goods fell, Reuters reported. Official data released Thursday showed upwardly revised exports in recent months failed to catch up with the downward trend, which could result in lower GDP growth than forecast for the year, according to the report.

come families, who have a high propensity to consume and are the overwhelming recipients of such transfers," Ramos said, adding that he expected remittances flows to stabilize in



López Obrador // File Photo: Mexican Government.

the coming months. Remittances have been a lifeline to many families as Mexico's economy struggles to stay out of recession. Mexican President Andrés Manuel Lopez Obrador raised the country's minimum wage by 20 percent in 2019 in an effort to alleviate poverty. The wage hike was among the reasons that central bankers opted to maintain a gradual pace of interest-rate cuts in December despite a deteriorating economic growth outlook, minutes to the meeting showed Thursday, The Wall Street Journal reported.

BUSINESS NEWS

Brazilian Financial Exchange Operator B3 Reducing Fees

Brazilian financial exchange operator B3 announced Thursday that it is lowering and simplifying fees paid by investors to trade stocks and over-the-counter products, Reuters reported. B3 is hoping that the move boosts activity and efficiency and also increases the operator's competitiveness, the wire service reported. The company said in a statement that small retail investors will feel the largest effects from the change, adding that, based on trading volume over the past year, its clients could see their overall annual fees go down by some 250 million reais (\$62.5 million). The announcement fueled a 4.7 percent rise in

FEATURED Q&A / Continued from page 1

unknown newcomers. (Twenty of the 130 former legislators are running for re-election; legislators elected in 2020 are not allowed to run in 2021 and will hold office for little more than a year.) Not surprisingly, amid this party fragmentation, voters are shaking their heads; the only party currently supported by more than 15 percent of Peruvians is Acción Popular, a party from the 1960s relatively unblemished by corruption. Electoral officials' decisions have not been seriously questioned, and a free and fair election is expected. In 2020, the key issues from 2019--Vizcarra's anti-corruption reforms and economic growth--will continue to top the agenda. Growth for 2019 is expected to be a tad above two percent; the long-standing question is the warmth of Peru's welcome to extractive industry given its frequent negative impact on near-by communities. Now, responsibility for results will be placed squarely on Vizcarra--and will determine the fortune of Vizcarra's former premier, Salvador del Solar, currently the frontrunner for the 2021 presidential election."

A Jo-Marie Burt, associate professor of political science at the Schar School of Policy and Government at George Mason University and senior fellow at the Washington Office on Latin America: "Corruption remains at the forefront of Peru's political agenda. This is not at all surprising, with all of its living former presidents since 1985 awaiting trial or in the process of being extradited for corruption, and with the almost constant flow of new revelations of corruption involving senior government officials,

B3's shares in late morning trading, making its shares the Bovespa index's largest gainer. Investors pay an annual maintenance fee of about 110 reais, which will go down under the new fee structure. Additionally, individuals' fees for trading securities will be lowered by about 10 percent. Investors will be charged lower fees if they trade more frequently, and

key opposition leaders, powerful business elites and even army generals. Among average Peruvians, there is a pervasive feeling of hartazgo--being fed up with--politics as usual. This is evident in recent polls on voter intention for the Jan. 26 legislative elec-

“This high level of disillusionment with politics as usual creates highly unstable conditions.”

— Jo-Marie Burt

tions. Three national polls found that if the election were held today, blank and spoiled ballots would be roughly twice the number of votes cast for any party. (Depending on the poll, between 25 and 35 percent say they would cast a blank or spoiled ballot.) This high level of disillusionment with politics as usual creates highly unstable conditions. Right now, the party that is poised to benefit is the 'traditional' center-right party, Acción Popular, in part because of the high popularity of Jorge Muñoz, the current mayor of Lima. But even AP doesn't break 20 percent in current polls. Trailing AP is the Fujimori party, Fuerza Popular, and Julio Guzmán's Morado party. Fuerza Popular's future remains uncertain, however, with Keiko Fujimori's announcement on Dec. 18 that she is retiring from politics, after learning that prosecutors are seeking to detain her again after new charges surfaced of her direct knowledge of illegal campaign contributions. Guzmán was disqualified from

Continued on page 4

they will also have to pay less in fees for lending securities. Through the changes, B3 wants to broaden its base of retail investors. It plans to implement the changes throughout this year. "This set of measures will affect about 65 percent of [the] individual investor base that currently has a balance in B3 equities," the company said in a statement.

FEATURED Q&A / Continued from page 3

the 2016 presidential elections, and his party remains untested. In the end, the Congress is likely to be highly fragmented, which may mean an end to the stalemate between the executive and legislative branches, which led to a climate of ungovernability and popular disillusionment with politics as usual. Whether President Vizcarra can take this opportunity to implement real reforms that rein in rampant corruption and restore citizen confidence in democratic government remains to be seen."

A **Carlos Vargas Alencastre, CEO of Vargas Alencastre, García & Asociados:** "Peruvian elections have always been unpredictable and are often defined in the final stretch. For example, in the past election, the Popular Force party, led by Keiko Fujimori, was defeated by Peruvians for Change in the final stretch. Currently, the political party that aims at having a great prominence is the Partido Morado, which is headed by Julio Guzmán. He still retains citizen support, and his party has the highest approval rating. In addition, as a result of the large corruption scandals in which many Peruvian officials have been involved, one of the most important issues for voters will be the fight against corruption. The 'Lava Jato' case and the discovery of a network of corrupt judges, prosecutors and politicians have put this issue as the most important matter. Also, another worrying point is the economy, as there is a general opinion that the Peruvian economy is paralyzed and stagnant. Finally, the influence of the next Congress on the current government will depend on citizen support for President Vizcarra. After the election, the new Congress will be able to review and supervise all of the president's emergency decrees. If the president has citizen support, it will be hard for Congress to reverse the measures that the president has implemented. But, if Vizcarra does not have enough citizen support, Congress may reverse his decrees."

A **Augusto Álvarez-Rodrich, daily columnist on political affairs at La República:** "The Jan. 26 parliamentary election is unfolding in a context of freedom, but it will be the first time that Peruvians will vote to elect a Congress that will replace a dissolved one and that will only be in service for 16 months. There is an apathy among the electorate surrounding the vote. Peruvians have only recently been interested in the campaigns, which have three weeks to go. Until now, no one subject has dominated the electoral agenda. Neither has Vizcarra's decision to dissolve Congress been the key issue, as

“There is an apathy among the electorate surrounding the vote.”
— Augusto Álvarez-Rodrich

80 percent of Peruvians backed it. Perhaps the most important topic for voters has been the continued fight against corruption. The parties that are leading the polls this election cycle are Popular Action, although it is without clear leadership; Popular Force (fujimorismo); the Partido Morado (led by Julio Guzmán); and APP (led by César Acuña). That is to say that the next Congress will have a majority centrist bloc. Fujimorismo will no longer have the great influence that it had between 2006 and 2018, though it will remain an important player. The left may have a reduced participation in Congress, as it is divided and allied with a radicalism that the people do not accept. Also, APRA may not have enough support to have representation in the next Congress. After the suicide of its leader, Alan García, it may find itself in desperation. What we may see is a Congress that has a more friendly attitude toward President Vizcarra's government."

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

LATIN AMERICA ADVISOR
is published every business day by the
Inter-American Dialogue, Copyright © 2020

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gene.kuleta@thedialogue.org

Anastasia Chacón González
Reporter
achacon@thedialogue.org

 **THE DIALOGUE**

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.