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FEATURED Q&A

What's Behind the Political Turmoil Over Peru's Cabinet?



In a televised address Tuesday, Peruvian President Martín Vizcarra (pictured) blasted lawmakers for their no-confidence vote against his cabinet that is led by Prime Minister Pedro Cateriano. // Photo: Peruvian Government.

Q Peruvian President Martín Vizcarra faced a new political crisis after Congress on Tuesday held a no-confidence vote against Prime Minister Pedro Cateriano. On Thursday, Vizcarra named a new prime minister, retired general Walter Martos, and several new cabinet members. However, he reappointed Education Minister Martín Benavides, who had drawn criticism from some lawmakers. How significant was the no-confidence vote in Vizcarra's cabinet, and how big of a blow is it for the president in terms of his leadership and political capital? What was the reasoning behind Congress' decision, and to what extent is it justified? What implications will the forced cabinet change and tensions between the president and Congress have for Peru's response to the health and economic crises it is facing?

A Julio Carrión, associate chair of the Department of Political Science and International Relations at the University of Delaware: "This event shows once again the severe dysfunction of Peru's political institutions. The no-confidence vote is not only a significant blow to President Vizcarra, but also for the prospects of governance in Peru. Vizcarra is constitutionally banned from running for immediate re-election. The current Congress, elected last January, will no longer exist next July, and none of its members can be re-elected. You would imagine that this shared condition, in the context of a raging pandemic and deteriorating economic conditions, would foster some collaboration between the president and Congress. Unfortunately, most political parties in Peru are mere extensions of business or private interests. The 'parties' in Congress run the gamut from followers of religious syncretism,

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TODAY'S NEWS

ECONOMIC

Cuba Planning to Relax Restrictions on Businesses

Cuba's labor minister said the government plans to relax restrictions on business activity. A previous list of approved activity was too restrictive, she said.

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BUSINESS

Brazilian Banks Extending Loan Repayment Terms

Brazil's four largest lenders are extending payment deadlines for months on some \$44 billion in loans amid the economic downturn caused by the coronavirus pandemic. Banks are expecting high default ratios.

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ECONOMIC

Colombia May Sell Gov't Stakes in Businesses: Duque

Colombia's government may sell stakes it has in more than 170 businesses, said President Iván Duque. The proceeds could be used for development projects, including infrastructure, he said.

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Duque // File Photo: Colombian Government.

ECONOMIC NEWS

Cuba Planning to Relax Restrictions on Business Activity

Cuba's labor minister said Thursday the government would relax restrictions on business activities permitted in the island nation's once-banned private sector, Reuters reported. Marta Elena Feito said during a televised roundtable that the pandemic had proven that a list defining approved business activities was too restrictive, citing the unauthorized production of personal protective equipment by private-sector workers. The move could boost self-employment, small firms and start-ups, according to the report. However, skeptics point out that Cubans must still apply for a license to work in the private sector, giving authorities a high degree of discretion over what is allowed. The country currently has about 613,000 private business owners, according to the Associated Press. International sanctions imposed by the United States and the coronavirus pandemic have hit Cuba's already struggling economy hard. The government recently announced plans to allow private companies to import, export or buy supplies in wholesale markets, transactions that were previously limited to the state monopoly on the communist island, the Associated Press reported. The government also said it would permit extensive business between private and state-run enterprises, allowing private business to buy and sell from state-run companies, according to the report.

Colombia May Sell Stakes in More Than 170 Firms: Duque

Colombia's government may sell stakes it has in more than 170 businesses, President Iván Duque told reporters Thursday in a virtual press conference, Reuters reported. The government holdings in the companies is worth more than \$30 billion, and that money could be used to

pay for development projects, said Duque. As in many locations, lockdown measures aimed at slowing the spread of the novel coronavirus have meant a plunge in economic activity in Colombia this year. Duque did not specify which assets the government is looking at selling, but he said the proceeds could pay for new highways and improved education and public services. He said any decision about privatizing state-owned oil company Ecopetrol would be the decision of the company's board, rather than his administration.

POLITICAL NEWS

Protesters Attack Factory in Chile's Araucanía Region

Protesters set fire to at least 14 trucks and damaged some machinery late Wednesday in an attack at a factory in Chile's Araucanía region, Reuters reported. The area has long been a focal point of tensions between the Indigenous Mapuche and Chile's government. Indigenous activists have said industries including agriculture and forestry are threatening their lands, and they say the government has failed to protect their rights. Lockdown measures intended to curb the spread of Covid-19 have increased economic problems in the area and have worsened conflict in the region, Reuters reported. Chilean Interior Minister Víctor Pérez said the protesters who attacked the factory appeared to be well-organized, adding that the incident seemed to have been planned in advance. "There is no doubt that a group that organizes an attack like this ... has resources," Pérez told reporters. Last weekend, police arrested approximately 50 people after fires were set and clashes broke out at the municipal headquarters in the Araucanía region. Mapuche protesters have also been demonstrating in support of members of their community who have been jailed and are on a hunger strike. Some demonstrators consider the people jailed to be political prisoners, the Voice of America reported.

NEWS BRIEFS

Brazil's Bolsonaro Sets Aside \$353 Million for AstraZeneca Vaccine

Brazilian President Jair Bolsonaro on Thursday set aside 1.9 billion reais (\$353 million) for the purchase of 100 million doses and later domestic production of the Covid-19 vaccine developed by AstraZeneca and the University of Oxford, The Rio Times reported. The money will be transferred to the Oswaldo Cruz Foundation, or Fiocruz, which will seek to independently produce the vaccine. The vaccine is currently in Phase 3 trials.

Costa Rica's Jobless Rate Reaches Record High of 24% in Second Quarter

Unemployment in Costa Rica reached a new historical high in the second quarter of this year at 24 percent, according data from the National Institute of Statistics and Census released Thursday, The Tico Times reported. The figure is double the unemployment rate reported in the second quarter of 2019. Due largely to the coronavirus pandemic, more than half a million people in the Central American country of 4.99 million citizens were out of work last quarter, with more than 30 percent of women unemployed, according to the data.

Chile's Codelco Planning to Restart Operations Halted Due to Pandemic

Chilean state-run miner Codelco said Thursday that next week it would re-start operations that had been suspended due to the coronavirus pandemic, Reuters reported. The world's largest copper producer said workers would soon return to a new underground portion of its Chuquibambilla mine and that the operation's smelter and refinery would start again. Codelco also announced new safety measures it plans to implement to stave off further outbreaks at its operations, according to the report.

BUSINESS NEWS

Brazilian Banks Extending Deadlines on Billions in Loans

Brazil's four largest lenders are extending payment deadlines for some 235 billion reais (\$43.98 billion) in consumer and business loans as the coronavirus pandemic hits the country's economy and borrowers' ability to repay, Reuters reported today. The loans included in the forbearance programs involve 13 percent of Banco Santander Brasil's portfolio and 10 percent of the loan book at Itaú Unibanco Holding, the wire service reported. The forbearance programs also involve 11.6 percent of the loan portfolio at Banco do Brasil and 12.75 of the portfolio at Banco Bradesco. It is not clear how many borrowers will be able to repay the debts after the end of the grace periods, which last between 60 and 180 days. U.S. banks have offered similar extensions and have acknowledged that some borrowers will be unable to pay their debts after the end of the forbearance programs. Brazilian banking executives have not made firm predictions on expected future losses on loans that go bad, but they have said defaults may not be as widespread as initially feared, citing signs of economic recovery in Brazil. However, in conference calls over the past weeks, Brazilian bank CEOs have said 90-day default ratios are likely to soar at the end of this year or the beginning of next year. Itaú CEO Candido Bracher said he expected default ratios to hit record highs. "Brazil's GDP is poised to drop by unseen levels, so it is natural that there will be higher loan delinquency rates," Bracher told reporters on a conference call, MercoPress reported. Bradesco CEO Octavio de Lazari told Reuters that default ratios could reach approximately 3.7 percent. Lower interest rates in Brazil could make debts more manageable for borrowers, said Lazari. Brazil's central bank earlier this week cut its benchmark Selic interest rate to a record low of 2 percent. During Brazil's most recent recession, interest rates stood higher than 14 percent in 2016.

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to owners of diploma mills, to fujimoristas, and ethnonationalists. In the absence of real parties, the legislature is fragmented into nine or 10 congressional representations (who can really keep count?), and the president himself has no congressional party. Vizcarra has denounced the vote as payback for his refusal to remove the minister of education who, as head of the state office in charge of licensing universities, denied those licenses to numerous diploma mills. The president of Congress said that the problem was with three ministers, not just the minister of education. César Acuña, the owner of a large private university and leader of the party with the second-largest number of seats in Congress, said the problem was a lack of serious plans to combat the current crisis. Perhaps the public rejection of congressional intransigence will force it to be less confrontational. It will be difficult for Congress to reject another prime minister. But the likely retreat will only intensify the desire in Congress to get back at Vizcarra. The prospects of improving governance and responding effectively to the economic crisis are dismal. The only consolation is that general elections are scheduled for next April."

A **Cynthia McClintock, professor of political science and international affairs at The George Washington University:**

"The pandemic has been devastating to Peru; its fatality rate and GDP plummet are among the worst in the world. Tragically, the catastrophe will be exacerbated by Tuesday's no-confidence vote. The vote was unexpected because President Vizcarra had just proposed a pact with Congress, and his new cabinet, appointed in mid-July and led by veteran politician Pedro Cateriano, had not been particularly controversial. In addition, it was unexpected because the Congress, newly elected in January, is composed largely of ideological moderates; only 12 percent of the seats are held by Keiko Fujimori's party, which had previously

obstructed Vizcarra at every turn. However, Vizcarra has no party of his own, most of the nine parties in Congress are tenuous and re-election of legislators is prohibited; accordingly, many legislators are pursuing their own interests. In particular, Alianza para el Progreso and Podemos Perú legislators

“ Many legislators are pursuing their own interests.”

— Cynthia McClintock

have stakes in for-profit universities and are resisting government reform efforts. For its part, Peru's left worries that, amid the pandemic, Vizcarra has become too favorable toward mining companies. Perhaps most important is legislators' desire for payback against a president who has criticized them (but not himself, despite Peru's current straits) and—simply—general frustration. Potentially strong cabinet nominees may fear irresponsible congressional challenges and will serve only until next July, when a new president will be inaugurated; they may not want the jobs. Peruvians are likely to blame the Congress more than Vizcarra, but the turmoil—and the image of turmoil—significantly damages all political institutions and the country as a whole. Although the 2021 elections will go forward, concerns may mount."

A **Francisco Durand, professor of political science at the Catholic University of Peru:** "The division between the president and the new Congress has reached a crisis point. A provisional, orphan president (with no official party) and the Cateriano cabinet underestimated the congressional voting blocs. Two major problems stand out. First, the 'let's promote big mining' message ignored environmental and social concerns. Thus, the left (Frente Amplio) and the religious

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popular sect (FREPPAP) chose the no-confidence vote. Second, four parties financed by for-profit universities (Acción Popular, Podemos, Unión por el Perú and Alianza para el Progreso) voted against or abstained because they conditioned their support on the removal of the minister of education, who remained in the Cateriano cabinet. Vizcarra is now in a weaker position. His ratings are still strong, but the problems with Covid-19, still raging, and the economic needs of the people, two issues sidelined by the Cateriano cabinet, need to be strongly addressed. Vizcarra has an opportunity to refocus his agenda and present a cabinet that can win approval in Congress. The other scenario is more worrisome: Congress may try to impeach the president. In either case, Peru has entered a time of uncertainty that will stall investment, already affected by Covid-19. Most likely, Vizcarra will muddle through until next April's election. Survival is now a priority for everybody, including politicians."

A **Ursula Indacochea, director of the Judicial Independence Program at the Due Process of Law Foundation (DPLF):**

"The no-confidence vote has shaken the administration of President Vizcarra, whose popularity began to decline with the advance of the pandemic, as serious deficiencies in the Peruvian health system became evident, especially in the poorest provinces. Days before, the minister of health recognized that the country's death toll from Covid-19 had been undercounted. Many have interpreted Congress' censure of the cabinet as a

reproach of the government's management of the pandemic. Prime Minister Pedro Cateriano's speech to Congress during the worst week of the health crisis emphasized that economic revival was the government's priority. Others have sought an explanation for the possible influence of groups opposed

“**These anti-corruption reforms can affect groups that still have power and influence to oppose them.**”

— Ursula Indacochea

to educational reform. Perhaps the explanation is less evident and can be found in two other central issues on the political agenda: political reform and justice reform, which his cabinet sought to conclude. These anti-corruption reforms can affect groups that still have power and influence to oppose them. If so, the tension between the two branches of government may increase again, leaving in the middle a population that needs urgent responses and a strategy to exit the crisis."

Editor's note: Commentaries in this issue were submitted to the Advisor after Tuesday's no-confidence vote but before Vizcarra named a new prime minister and cabinet members on Thursday.

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

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