

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 (McDonald's)

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

Senior VP, Corporate Affairs,
Royal Caribbean Group

Jon E. Huenemann

Former Corporate and
Government Senior Executive

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Senior Director, Americas
Int'l 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

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

Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

Will Latin America See More Political Risk Next Year?



Amid the devastation of the Covid-19 pandemic, Latin America saw numerous political developments this year. Among them was the impeachment of Peruvian President Martín Vizcarra, whose ouster led to Peru having three presidents in a week. // File Photo: Peruvian Gov't.

Q Latin America has seen major political developments over the past year. Among them, Peru had three presidents in a week, leftist Luis Arce was elected president of Bolivia, protesters set fire to Guatemala's Congress building, President Nicolás Maduro's allies won control of Venezuela's National Assembly in an election widely denounced as fraudulent, Chileans voted to rewrite their constitution, and, in a vote that will have repercussions for Latin America, Joe Biden was elected U.S. president. What will be the top political developments to watch for in Latin America and the Caribbean in 2021? Where in the region will political risk be on the rise? What lessons should the region's leaders take from this year into next?

A Isabel Saint Malo, former vice president of Panama: "This year has exposed the region's inequalities like never before. Pre-existing conditions became evident by the millions of children that have not been able to continue school due to lack of connectivity and exclusion from social protection. Political developments next year will be marked by the ability or not to build confidence and restore opportunities for millions of families. Risks will be higher for countries that lack the capacity to address these challenges and those that faced pre-existing political issues. Chile, Argentina and Panama have the opportunity but also the challenges of navigating through constitutional reform and dialogue processes, while Peru needs to work on ensuring an enabling environment for elections. The Northern Triangle of Central America will continue to struggle with insecurity, with

Continued on page 2

TODAY'S NEWS

POLITICAL

Nicaraguan Gov't Seizes Offices of Media Outlets, NGOs

The government of President Daniel Ortega seized the offices of two media organizations and several nongovernmental organizations. The moves followed lawmakers' approval of legislation that allows Ortega to ban opponents from running for office.

Page 2

BUSINESS

BHP, Vale Restart Samarco Joint Venture in Brazil

The mining companies have restarted production at their Samarco venture, five years after a deadly dam collapse at the site.

Page 3

POLITICAL

Peruvians to Select From 22 Hopefuls for President

A record 22 candidates are running for president of Peru ahead of the country's April election. Leading the polls is former mayor and soccer player George Forsyth.

Page 2



Forsyth // File Photo: Facebook page of George Forsyth.

POLITICAL NEWS

Nicaraguan Gov't Seizes Offices of Media Outlets, NGOs

Nicaragua's government has seized the offices of two media outlets and several nongovernmental organizations, the groups said Wednesday, the Associated Press reported. Authorities reportedly posted signs at the offices, reading "Property of the Health Ministry." The signs appeared at television station 100% Noticias and at Confidential magazine, as well as at the offices of nongovernmental organizations Popol Na, the Center for Health Information and Advisory Services and the Nicaraguan Center for Human Rights. The signs said the properties would be used as drug treatment centers or for maternal welfare. "The regime is officially practicing confiscation, in violation of Nicaragua's constitution," said journalist Carlos Fernando Chamorro, the founder and director

SUBSCRIBER NOTICE

In observance of the Christmas and New Year's holidays, the Latin America Advisor will next be published on Jan. 4, 2021. We wish our readers a happy holiday season and a prosperous new year.

FEATURED Q&A / Continued from page 1

economies severely affected, while Costa Rica still needs fiscal reforms. Regarding the humanitarian, economic and political crisis in Venezuela, 2021 will be a difficult year, given the recent electoral process, which again did not meet the requirements of free and fair elections. The lessons Covid-19 has left for Latin America and the Caribbean are that we lack preparedness for crises and that social services—including health and education—are not capable of responding adequately. The objective should be to aim for agreements on a new social contract that redefines our development objectives and the sacrifices that will have to be made

of Confidential, the wire service reported. "We have lived in a state of total illegality for two years, and today Ortega has confirmed there is no rule of law in Nicaragua." In social media posts, Miguel Mora, the director of 100% Noticias, said, "in practice, this is bald-faced robbery. No expropriation order exists ... there has been no legal ruling about the property of 100% Noticias." On Monday, Nicaragua's Congress, which is dominated by allies of President Daniel Ortega, approved legislation that gives Ortega the power to unilaterally declare Nicaraguan citizens "terrorists" and ban them from running for public office. Several countries and international organizations have condemned the law, saying it virtually bans Nicaragua's opposition from participating in next year's presidential election. "With this law in force, there is little to no hope of free and fair elections in Nicaragua," José Miguel Vivanco, Americas director at Human Rights Watch, said in a statement.

Peruvians to Choose From Record 22 Presidential Hopefuls

A record 22 candidates are seeking Peru's presidency ahead of the country's April 11 election, Reuters reported Wednesday. The

if we expect to be prepared for the next pandemic."



Peter DeShazo, visiting professor of Latin American, Latino and Caribbean Studies at Dartmouth College and former

U.S. deputy assistant secretary of state for Western Hemisphere affairs: "Latin America will travel a rocky road in 2021. The Covid-19 pandemic has ravaged the region's public health and economy. With regional GDP falling by about 8 percent in 2020 and a huge spike in unemployment, millions of Latin Americans who climbed out

Continued on page 4

NEWS BRIEFS

Mexico, Costa Rica Starting Covid-19 Vaccinations Today

Mexico plans to begin its inoculation program today, with health workers set to receive the first vaccines against Covid-19, Reuters reported. The country received its first batch, of 3,000 doses, of the Pfizer-BioNTech vaccines on Wednesday. Mexico is slated to receive 1.4 million units of the two-shot vaccine by Jan. 31, the foreign ministry said. Costa Rica also received its first shipment of 9,740 doses of the Pfizer vaccines Wednesday night, and it plans to begin inoculating health care workers and senior citizens in nursing homes today.

Brazil Records Fifth Consecutive Month of Job Growth

Brazil added a net 414,556 formal jobs in November, according to Economy Ministry figures published on Thursday, Reuters reported. It was the fifth consecutive month with a net jobs gain, in part due to more hiring in retail and services as activity recovered from the peak of the coronavirus pandemic, Reuters reported. Over the first 11 months of the year, Brazil's economy added a net 227,025 formal jobs.

U.S. Treasury Extends Measure Blocking PDVSA Creditors' Seizure of Citgo

The U.S. Treasury Department on Wednesday once again extended a measure blocking transactions related to Venezuelan state oil firm PDVSA's 2020 bond until July of next year, effectively protecting PDVSA's U.S.-based refiner Citgo from seizure by creditors. A previous extension was set to expire on Jan. 19, a day before the U.S. presidential inauguration, Reuters reported. The measure helps the Venezuelan opposition retain control of Citgo, which is considered one of Venezuela's most valuable foreign assets.

candidate leading surveys is George Forsyth, a former mayor and goalkeeper for Peru's national soccer team, who has 18 percent support. Forsyth is followed in the opinion polls by moderate economist Julio Guzmán, leftist former lawmaker Verónica Mendoza and Keiko Fujimori, a former member of Congress and the leader of the right-wing Popular Force party. Previously, the highest number of presidential candidates in a single election in Peru was the 20 who sought the office in 2006. In next April's election, Peruvians will also choose all 130 members of Peru's unicameral Congress. The winner of the presidential election would replace Francisco Sagasti, the caretaker president whom lawmakers tapped in mid-November amid a political crisis in the country. Congress removed then-President Martín Vizcarra from office on Nov. 10. His successor, Manuel Merino, lasted less than a week in office before resigning, and Sagasti was sworn in on Nov. 17. [Editor's note: See related [Q&A](#) in the Nov. 17 issue of the Advisor.]

BUSINESS NEWS

BHP, Vale Restart Production at Samarco Venture

Mining companies BHP and Vale have restarted production at Samarco, their iron ore joint venture in Brazil's Minas Gerais state, five years after a dam collapse led to the South American nation's largest environmental disaster, the Financial Times reported. BHP and Vale said today that they had met licensing requirements for resuming operations and the production of iron ore pellets at the processing plant. "Independent tests have been carried out on Samarco's preparations for a safe restart of operations," BHP said in a statement. Initial production is expected to be of approximately eight million metric tons per year of the pellets, which is an ingredient in steel, BHP said. The announcement came five years after Samarco's operations were suspended following the collapse of the Fundão dam in November 2015, Mining.com reported. The incident,

THE DIALOGUE CONTINUES

What Might Latin America's Economic Recovery Look Like?

Q **The Covid-19 pandemic hit Latin American and Caribbean economies harder than most other regions of the world, with the International Monetary Fund projecting an 8.1 percent regional GDP contraction this year. Currencies also took a hit, with the Brazilian real falling more than 40 percent and talks of devaluation resurging in Argentina, though the Mexican peso gained traction following a record low in March. What is the outlook next year for the region's main economic indicators, such as GDP and inflation? What trends are likely to be observed in terms of currencies? Which countries will struggle with economic recovery the most next year, and which will bounce back quicker—and why?**

A **Dorotea López Giral, director of the International Studies Institute at the University of Chile:** "The pandemic has exacerbated and accelerated trends that Latin America had already been experiencing. This time, the uncertainty is greater than during any other crisis, and we have to look at the projections in that context. Projections for 2021 will be statistically affected by the 2020 decline, which is the worst contraction in more than a century. In 2021, our region is expected to grow, with significant variance among countries. ECLAC has estimated a growth of 3.7 percent. It will not be until 2024 that the growth dynamics prior to the

considered one of Brazil's worst-ever environmental disasters, sent mining waste sludge through villages in Minas Gerais, killing at least 19 people, polluting a river for hundreds of miles and destroying entire communities, the Financial Times reported. BHP and Vale faced legal action as a result, and the two mining groups later created a foundation, Renova, to oversee reparations. However, Brazilian federal

crisis will be achieved. On the one hand, the increase in public spending through fiscal packages will allow a low recovery in growth and greater liquidity that can have an impact on inflation (though 2020 inflation rates were low, except for Venezuela and Argentina). On the other hand, among the factors that have influenced lower inflation rates are the drop in aggregate demand and lower energy prices. As long as this persists and the pandemic is not controlled, monetary authorities will have room to adopt expansionary monetary policies during 2021 that will allow economies to be reactivated. Likewise, the trajectory and potential volatility of the exchange rate for 2021 will depend on the evolution of and control over the health crisis. The exchange rate forecasts for 2021, with some exceptions, aim to remain at the average levels reached during 2020. Recovery is undoubtedly first related to the vaccine and its success. At the country level, it depends on the ability to maintain fiscal and monetary policies, as well as social stability, which has been a problem in several countries. The relationship between China and the United States, and what the region achieves in its own integration processes and cooperation, will also be decisive."

EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in Wednesday's issue of the Advisor.

prosecutors in October filed suit against the miners, arguing that the compensation package for the Samarco disaster was far too low. Vale was involved in another deadly dam break in January 2019 in the rupture of its Córrego do Feijão mine near the town of Brumadinho, also in Minas Gerais state. That disaster led to 259 deaths. [See related [Q&A](#) in the Feb. 12, 2019 issue of the Advisor.]

FEATURED Q&A / Continued from page 2

of poverty a decade ago have fallen back, with more to follow. Bad enough, this crisis also exacerbates the region's pre-pandemic difficulties—anemic economic growth since 2013 and a pronounced drop in public confidence in politics and the institutions of democracy. The scenario for 2021 presents an unprecedented challenge—dealing with the still-raging health crisis while attempting to reactivate economies and reduce unemployment, but with limited deficit-spending capacity. This will be a stress test for democratic institutions—the stronger pre-Covid, the more resilient in 2021. The Northern Triangle countries of Central America remain the most vulnerable—facing a perfect storm of health crisis, weak governance, economic downturn, lower remittances and criminal gangs whose influence has thrived in the pandemic—added to the perpetual threat of natural disaster. Venezuela is a persistent fixture on the crisis agenda. Elections in Ecuador and Peru may either exacerbate or provide a safety valve for political tension while Nicaragua's will be contentious. Regionally, the potential for anti-system and authoritarian tendencies increases. The Biden administration has a big challenge ahead in its relations with Latin America—short-term with the pandemic and the economy, but also to more effectively promote and support institutional reform that strengthens democratic governance in the region."

A Joy K. Gallup, partner in the Corporate Department of Paul Hastings LLP: "The populist movements in Latin America that gave rise to many major political developments in 2020 are expected to continue to be strong forces for change in 2021. Upcoming presidential elections in Ecuador, Peru and Chile, among others, are all expected to feature populist candidates, from the left or

right or both. The winners will face monumental tasks in reinvigorating economies decimated by the Covid-19 pandemic and related shutdowns, despite the impetus provided by the availability of a vaccine. Even the logistics of vaccine distribution could serve to exacerbate the issues of income inequality, corruption and lack of health care

“The prime takeaway from 2020 is that no one wants more of the same.”

— Joy K. Gallup

and infrastructure that led to violent protests in the region. Populist leaders may rise to power by offering new solutions to these endemic issues, and some leaders may resort to authoritarian measures to remain in power. Brazil may be the exception to the rise in populism, as its recent local elections indicated support for centrist parties rather than the populist presidential party; however, Brazil faces its own political risks due to its government spending policies. Meanwhile, midterm elections in Mexico and Argentina in 2021 may drive changes in public policy as voters react to how their leaders have handled the pandemic. U.S. policy toward the region under the new administration is likely to be very different and is more likely to reduce political risk by focusing on economic cooperation rather than curbing immigration and raising tariffs. The prime takeaway from 2020 is that no one wants more of the same."

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 © 2020

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org

 THE DIALOGUE

Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
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, Senior Fellow
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, External Relations & Special Projects

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.