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FEATURED Q&A

What Will Ecuador's New President Set Out to Achieve?



If President Guillermo Lasso seeks a rapid economic recovery, it may involve painful measures that are not socially accepted or easy to generate consensus, former Finance Minister Ana Lucía Armijos cautions below. // File Photo: Ecuadorean Government.

Q **Ecuadorean President Guillermo Lasso, who took office on May 24, has made several key appointments for his new cabinet. Among them are career diplomat Mauricio Montalvo as foreign minister and former International Monetary Fund employee Simón Cueva as finance minister. What do Lasso's cabinet appointments foretell about the direction and priorities of his government? What will Lasso's lack of a majority in the National Assembly mean for the policies he will pursue and his ability to get his initiatives passed? What is Lasso likely to accomplish in his first 100 days in office?**

A **Ana Lucía Armijos, former finance minister of Ecuador and senior consultant at the World Bank:** "Ecuador faces a very complex situation, resulting from the combination of a large fiscal deficit and the economic impact of Covid-19. It needs to borrow in good financial conditions, so it must regain credibility. To that end, good relations with the international community are needed to obtain the financing that allows, little by little, a recovery. If the country seeks a rapid recovery, it may involve painful measures that are not socially accepted or easy to generate consensus. Hence, a balance must be struck. The president called on the foreign affairs minister to have 'more Ecuador in the world and more of the world in Ecuador.' He should carry out coordinated work with the foreign trade minister in order to be part of the Pacific Alliance and to sign free trade agreements with major countries to promote exports and investments. Lasso's administration is strongly conditioned by the governance difficulties he will face in the legislature. The

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Mexico's Midterms a Mixed Result for Ruling Party

Mexican President Andrés Manuel López Obrador's coalition appeared to hang on to control of the country's Congress in midterm elections on Sunday, but the Morena bloc likely lost a chance to cement a legislative supermajority.

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Inflation Spikes in Colombia

Consumer prices in Colombia rose the most in more than two decades in May as civil unrest and coronavirus lockdown restrictions snarled supply chains.

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Peru's Fujimori Holds Slight Lead for President

With just over 90 percent of the votes counted, Keiko Fujimori has held onto a thin lead in Peru's presidential runoff contest against Pedro Castillo, who has been narrowing the gap overnight as more rural votes are counted.

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Fujimori // File Photo: @keikofujimori via Twitter.

POLITICAL NEWS

Peru: Fujimori Holds Slight Lead Over Leftist Opponent

With just more than 91 percent of the votes counted, conservative candidate Keiko Fujimori has held onto a thin lead in Peru's presidential runoff contest against socialist rival Pedro Castillo, who has been narrowing the gap overnight as more rural votes are counted, state news agency Andina reported this morning. National election authority ONPE's latest count shows Fujimori only slightly ahead, with 50.22 percent of votes, and Castillo holding 49.77 percent as of 7:32 a.m. local time. Castillo, whose name was all but unknown nationally until just a few years ago, surprised observers in the April 11 election by not only coming from behind in the final weeks of the campaign to claim a spot in the runoff, but also by being the most voted-for candidate in the crowded field, with nearly 19 percent of valid votes. However, analysts point out that neither Castillo nor Fujimori carry the support of a majority of Peruvians (more than a million votes were left blank or were invalidated Sunday), and that whoever wins the presidency will face a difficult challenge with the country's famously fragmented Congress. While Castillo's rhetoric calling for nationalizing key sectors of the economy such as mining and communications has softened, he remains committed to rewriting the constitution that was written under Fujimori's father Alberto, who is now serving a 25-year prison term.

Mexico Ruling Party Shy of Supermajority in Midterm Election

Mexican President Andrés Manuel López Obrador's coalition appeared to hang on to control of the country's Congress in midterm elections on Sunday, but the Morena bloc likely lost a chance to cement a legislative supermajority, The New York Times reported. According to ini-

tial results, López Obrador's coalition garnered roughly 35 percent of the vote for the Chamber of Deputies, as compared to 19 percent for the right-of-center PAN party and about 18 percent for the former ruling PRI party. The election was the largest in Mexico's history, with 21,000 official seats at stake, including 15 governorships, El Universal reported. Among the more closely watched races was the governorship of Nuevo León state, which contributes the most to Mexico's gross domestic product after Mexico City. According to a sampling of the vote taken by the INE election authority, Samuel García, the candidate of the opposition Movimiento Ciudadano party, led his closest rival by seven percentage points. However, the ruling Morena party appeared headed for victory in eight races for governor. The elections Sunday were being closely watched for signs of how much power López Obrador would wield in the second half of his six-year term. Sunday's defeats could be enough to prevent López Obrador from passing major legislative and constitutional reforms without the help, and likely moderating effect, of opposition parties, analysts say, which is perceived as good news for foreign investors the president has clashed with. Meanwhile, this year's election was among the most deadly in a country with a history of violence in elections. Nearly 100 candidates were reportedly killed while running for office, Reuters reported. [Editor's note: See the Advisor's [video interview](#) with Pamela K. Starr on Mexico's midterm election.]

U.S. Vice President in Guatemala, Mexico for First Trip Abroad

U.S. Vice President Kamala Harris' first diplomatic mission abroad got off to a rocky start Sunday, after her plane bound for Guatemala was forced to return to Joint Base Andrews in Maryland about 25 minutes after it had taken off, Fox News reported. Harris later arrived on another plane in Guatemala City, where she was greeted by the country's foreign minister, Pedro Brolo, and U.S. Ambassador to Guatemala William Popp at about 6:30 p.m. local time.

NEWS BRIEFS

Lower Interest Rates Drives Rush for Brazil IPOs This Year: Forecast

Initial public offerings of stock in Brazilian companies could capture 100 billion reais (\$20 billion) in capital this year, Folha de S.Paulo reported Sunday, citing research from Santander. The investment bank's forecast for up to 60 IPOs would be close to a record set in 2007. A rush to take advantage of lower interest rates has been fueling investor demand for Brazilian equities, according to the report.

Nicaraguan Police Arrest Another Ortega Rival

Police in Nicaragua on Saturday detained another opposition leader considered to be a potential presidential candidate in the country's Nov. 7 election, the Associated Press reported. Police said they arrested Arturo Cruz Jr., a former ambassador to the United States, under a "treason law" passed in December. President Daniel Ortega has orchestrated an unprecedented effort to clamp down on political rivals and freedom of expression ahead of his third consecutive re-election bid this year. [Editor's note: See related [Q&A](#) in last Tuesday's issue of the Advisor.]

El Salvador's Bukele to Make Bitcoin Legal Tender

Salvadoran President Nayib Bukele said Saturday he will introduce legislation this week to make his country the world's first sovereign nation to adopt bitcoin as legal tender alongside the U.S. dollar, CNBC reported. "Next week I will send to congress a bill that will make bitcoin a legal tender," said Bukele. About 70 percent of people in El Salvador, with a population of approximately 6.5 million, do not have bank accounts or credit cards, according to digital wallet company Strike, which said in a statement Sunday it has been working with Salvadoran officials on the bitcoin plan.

Harris is scheduled to meet today with President Alejandro Giammattei to discuss increasing economic opportunities and strengthening the rule of law, NPR reported. She is expected to announce anti-smuggling and trafficking actions. On Tuesday, Harris is scheduled to be in Mexico, where she will meet with President Andrés Manuel López Obrador to discuss how the two countries can cooperate on issues such as market access, business development and migrant smuggling by organized crime networks, according to the report. Harris also will meet with women entrepreneurs and participate in a labor roundtable before returning to Washington. Harris has been tasked by President Joe Biden with addressing the root causes of the spike in migration to the U.S.-Mexico border, with particular focus on corruption, the Associated Press reported. "Corruption really does sap the wealth of any country, and in Central America is at a scale where it is a large percentage of GDP across the region," special envoy Ricardo Zúñiga told reporters.

Inflation Climbs Sharply in Colombia

Inflation in Colombia rose the most in more than two decades in May as civil unrest and coronavirus lockdown restrictions snarled supply chains, Bloomberg News reported Sunday. The annual inflation rate accelerated to 3.3 percent in May from 1.95 percent the previous month, its biggest increase since 1998, the government's DANE statistics agency said. Consumer prices rose more than the 0.79 percent median estimate from analysts in a Bloomberg News survey. Rising consumer prices were driven mainly by surging food prices as a result of the demonstrations, according to Goldman Sachs analyst Alberto Ramos. Annual food and nonalcoholic beverage inflation increased by a large 554 basis points to 9.52 percent year-over-year in May. "We expect food prices to mean revert once the supply and distribution channels normalize but we expect headline inflation to continue to trend up in coming months," Ramos told clients in a research note on Sunday.

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ruling party, CREO, has 12 seats out of 137 and will depend on alliances. The election of the legislature president, for example, was the result of a specific agreement between CREO (12 legislators), Pachakutik (28), the Democratic Left party (17) and independents (13). President Lasso's inaugural message was a call for unity in which he reaffirmed his campaign promises: fight against poverty and inequality, vaccination, morality and ethics, inclusion of all sectors, efficient state management and open doors to investment. He promised an ambitious Covid-19 vaccination plan for his first 100 days in office as a strategy to reactivate the economy, reduce unemployment and address the needs of the most vulnerable people."

A **Alberto Acosta-Burneo, editor of the Análisis Semanal newsletter at Grupo Spurrier:** "Lasso's cabinet appointments foretell a two-tiered strategy in order to implement his government plan. For key ministries such as foreign relations and finance, he has appointed experienced professionals who will guarantee a smooth functioning of these offices (because of their previous experience in diplomacy and with multilateral financial institutions). They are expected to be efficient executives in implementing the president's guidelines. Meanwhile, for national planning secretary, as well as his counselors, Lasso appointed people from his inner circle: the think tank Ecuador Libre. They will be responsible for pushing the transformation agenda across all government offices. Lasso has been working for almost a decade on an ambitious plan to transform Ecuador from an interventionist state into a market-driven economy. Trade openness and bilateral investment treaties will be key in this strategy. Lasso wants to foster competitiveness, productivity and innovation through the reduction of prices and production costs, simplified tax regimes, modernization of labor law and cutting red tape. To reduce the cost of money, Las-

so would seek a system of international financial integration. To accelerate economic reactivation and close the fiscal gap, Lasso seeks to boost investment in oil and mining. Constraints come from the political side. No single political party can pass a law in the National Assembly. This means that they will have to reach consensus. It will be a

“The Lasso government may turn out to be a hybrid of freedom on economic issues but state intervention on social ones.”

— Alberto Acosta-Burneo

challenge to approve profound reforms that may be unpopular on the left. Legal reforms will be less ambitious but would have wider support. The Lasso government may turn out to be a hybrid of freedom on economic issues but state intervention on social ones. The cost of carrying out less ambitious reforms is that the results achieved will also be more modest."

A **Manuela Picq, scholar of international relations and sexuality studies at Amherst College and Universidad San Francisco de Quito in Ecuador:** "If there were still doubts regarding Ecuador's new president, Guillermo Lasso, his cabinet appointments confirmed his entrenched neoliberalism. Most of his ministers come from the business world, with careers as corporate executives or consultants for international banks, even when it comes to the minister of the environment. The liberal myth of running a country like a corporation is back, with the narrative of efficiency disguising the appropriation of public goods. The initial appointment of Roberto Salas as energy minister had to be reverted due to conflicts of interest. Lasso already announced the privatization of public

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telecommunications and the state bank. He is betting on an economy of death in times of climate action, with plans to double oil production, enable metal mining and incentivize agrobusiness. Such beginnings foretell a return to the darkest neoliberal times led by a mostly white, male political elite. Lasso won a highly contested election marked by allegations of fraud, guaranteeing a marginal presence in legislature. Congressional deals with leftist parties Pachakutik and Izquierda Democrática for the sake of governability

“Ecuadorian civil society will likely set the tone of contestation like Colombians have: taking to the streets in protest.”

— Manuela Picq

may survive his first 100 days. But they will not survive the protests that will erupt when labor reforms accentuate inequality and dispossession in a country already on the verge of socioeconomic collapse. Just like President Lasso set the tone of his presidency with a first international visit to neighboring President Duque, Ecuadorian civil society will likely set the tone of contestation like Colombians have: taking to the streets in protest.”

A **Juan J. Paz y Miño Cepeda, Ecuador-based contemporary historian:** “President Guillermo Lasso identifies with business concepts and understands the free market to be the natural axis of the economy. The cabinet he appointed, especially in the economic portfolio, reflects those beliefs and interests. In the diplomatic field, the cabinet coincides with ‘openness’ to the world. The continuity of the business and neoliberal models is foreseeable. The lack of a majority in the National Assembly has not prevented the government from reaching agreements with Pachakutik or other minority groups that, together, make a majority, displacing the PSC and UNES. Consequently, the government is in a favorable situation to promote laws that are in line with state policies promoted by the executive. It is not possible to predict what will happen in the first 100 days, but Lasso has promised to vaccinate nine million people. However, his minister of health has already announced that this goal may not be reached. We will have to wait and see what else will happen.”

[Editor’s note: *Manuela Picq is married to Yaku Pérez Guartambel, the presidential candidate who ran against Lasso in February.*]

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Advisor Video

Peru's Troubled Democracy

Video of the Inter-American Dialogue’s June 1 discussion with Michael Reid, “Bello” columnist & senior editor for Latin America and Spain at The Economist; Adriana Urrutia Pozzi-Escot, President of Asociación Civil Transparencia in Peru; and Alberto Vergara, Professor at the Universidad del Pacífico.



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