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FEATURED Q&A

How Difficult Will It Be for Peru's New President to Govern?



Pedro Castillo celebrated with supporters on Monday night after election authorities declared him president elect, six weeks after the election. // Photo: Facebook Page of Pedro Castillo.

Q Peru's National Elections Jury on Monday declared leftist school teacher Pedro Castillo the country's president-elect. The action came six weeks after Peru's June 6 runoff election, in which Castillo narrowly defeated conservative former lawmaker Keiko Fujimori, who claimed fraud and filed several challenges in the weeks following the vote. How have allegations of fraud and subsequent delays affected Peruvians' trust in the country's electoral process? To what extent has the uncertainty over the past month affected the next president's mandate and legitimacy, and has the reputation of Fujimori's Fuerza Popular party been tarnished because of the controversy? What are the biggest challenges that Castillo will have to overcome when he takes office on July 28?

A Gino Costa, member of Peru's Congress: "Unfounded allegations of fraud by Keiko Fujimori have tarnished Peruvians' usually high level of trust in their electoral authorities. They have had his trust at least since the last proven fraud in 2000, which Fujimori's father carried out. However, not all of her supporters believe her allegations; otherwise, she would not have conceded defeat, albeit begrudgingly. In fact, she has said the authorities have not proven that there was no fraud, implying that she'll insist on this thesis to delegitimize President-elect Pedro Castillo's victory. Most dangerous is that—out of fear of a radical leftist government—she has the support of the media, the business elite, influential democratic leaders and high-ranking retired military officers, who have not shied away from tinkering with the idea of

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TODAY'S NEWS

POLITICAL

Dozens Injured, Arrested in Colombia Protests

Seventy people were arrested and 50 were wounded in a fresh round of protests in Colombia as the government unveiled its new tax reform plan his week.

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ECONOMIC

Argentina's GDP Grows 13.6 Percent Year-on-Year

Argentina's real gross domestic product grew 13.6 percent year-on-year in May, according to the state statistics agency. Growth declined 2 percent from April, however.

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BUSINESS

AT&T to Sell Vrio to Argentina's Grupo Werthein

AT&T announced that it had agreed to sell its Vrio satellite business in Latin America to Grupo Werthein for about \$500 million. AT&T Latin America CEO Lori Lee said the company remains committed to the region.

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Lee // File Photo: AT&T.

POLITICAL NEWS

Dozens Injured, Arrested in New Protests in Colombia

Colombian police announced Wednesday that they had arrested 70 people related to protests organized in major cities around the country earlier this week, Agence France-Presse reported. Fifty people were injured in the demonstrations on Tuesday, they added. The protests echoed demonstrations that were sparked in April when the government proposed its original tax reform plan, which it later withdrew amid the violent protests. Demonstrations, which morphed into citizen discontent over a range of issues including poverty and police

brutality, had been paused for several weeks, but protesters returned to the streets in Bogotá, Medellín and Cali on Tuesday. "The national police captured 70 people, 69 of them caught in the act, for crimes committed in several cities on July 20, and one more on a warrant for homicide," the national police said in a statement, AFP reported. People were arrested on charges of blocking public roads, damaging property, possession of weapons and throwing dangerous objects, police said. Of the 50 people injured in the protests, 24 were civilians and 26 were officers, said the country's human rights ombudsman. An anti-government group had called for the new protests as the government proposed its new tax reform plan. A more modest proposal, the plan seeks to raise 15.2 trillion pesos per year (\$3.97 billion), as opposed to the earlier plan, which sought to raise 23.4 trillion pesos, Reuters reported.

NEWS BRIEFS

At Least One Killed in Haiti Protest Ahead of Moïse's Funeral

At least one person was killed Wednesday in the northern Haitian city of Cap-Haïtien amid protests against the assassination two weeks ago of President Jovenel Moïse, Reuters reported. Demonstrators took to the streets in the city, where a ceremony was held in memory of the slain president, who will be laid to rest there on Friday. Moïse's widow Martine, who was wounded in the attack, attended Wednesday's remembrance, dressed in black.

Former Panamanian President Martinelli Faces Second Trial

Former Panamanian President Ricardo Martinelli, 69, went on trial for a second time Wednesday over charges that he tapped the phones of opponents and journalists, the Associated Press reported. Martinelli, who led Panama from 2009 to 2014, was acquitted of similar charges in 2019 and described the proceedings Wednesday as a "political trial that was already decided," according to the report. Meanwhile, two of Martinelli's sons are currently in prison in Guatemala awaiting extradition to the United States on money laundering charges.

Chile's Codelco Seeking to Increase Focus on Southeast Asia, India

Chilean state mining company Codelco will seek to lessen its dependence on sales to China by focusing on developing Southeast Asian and Indian markets over the next two years, Carlos Alvarado, a vice president for Codelco, told Reuters in an interview published Wednesday. The firm, which is the largest copper producer in the world, will open a new office in Singapore in August to lead the push, according to the report. [Editor's note: See related Q&A in the July 13 issue of the Advisor.]

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a coup d'état. Castillo's position was already precarious given his lack of government experience, a narrow margin of victory, limited support in Congress, the lack of his own political party, a radical electoral platform and allies, and high expectations for change. His biggest challenge is to prove that he can govern and fulfill some of his electoral promises. Therefore, he will need to moderate his policies and assemble a cabinet of competent ministers to ensure, at least in the short run, the continuity of President Sagasti's health and economic policies. More importantly, Castillo should build a coalition in Congress that both avoids his impeachment and provides him with the support for a workable government. This will be a difficult challenge in any case, even more so for a newcomer."

A **Ursula Indacochea, director of the Judicial Independence Program at the Due Process of Law Foundation:** "The 'electoral fraud' narrative that Keiko Fujimori and her political allies have pushed has not been abandoned, even as she recognized the

results in favor of Pedro Castillo. Fujimori continues to claim that his victory is illegitimate, and her congressmen have already announced the creation of a parliamentary commission to investigate the alleged fraud, which will continue to fuel citizen polarization and could culminate in attempts to remove Castillo in the medium term. Almost all of Fujimori's electoral claims were rejected. Attacks on the electoral bodies increased, as did those against judicial authorities, who were accused of being 'co-opted by communism' for rejecting the legal challenges that tried to stop the electoral process. These attacks and Fujimori's questionable legal strategy led a sector of the democratic right that had supported her to distance themselves from her, given the frivolous and abusive litigation claims. Fujimori's showy display in recent weeks has prevented Peruvians from concentrating on the new president, who one week before taking office has no transition team, nor a defined cabinet. Without significant support in Congress, the outlook for Castillo is challenging. His challenges include the ongoing vaccination process and economic

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ECONOMIC NEWS

Argentina's GDP Grows 13.6% in May

Argentina's real GDP grew by 13.6 percent in May as compared to the same month last year, state statistics agency INDEC said in a report released Wednesday. The figure is less than the 17.5 percent growth that a survey of economists conducted by Bloomberg News had forecast. It also showed a 2 percent decline from April. A surge in Covid-19 cases and subsequent business and mobility restrictions likely held back growth only temporarily, experts say. "Seasonally adjusted data suggest the economy lost further momentum at the margin," Goldman Sachs economist Alberto Ramos told clients in a research note Wednesday. "Activity is expected to recover in June-July in tandem with the improving Covid backdrop and increasing mobility," he added. The sectors that grew most were the manufacturing, wholesale trade and retail industries, while only the agriculture, livestock and forestry sector declined in May. Meanwhile, in a separate report released Wednesday, INDEC said that exports reached \$6.98 billion in June, the highest level since June 2014, with a surplus commercial trade balance of \$1.07 billion. Relatively high global commodity prices and strong demand from Argentina's trading partners helped boost the surplus, economists said.

BUSINESS NEWS

AT&T Agrees to Sell Vrio to Argentina's Grupo Wertheim

Dallas-based communications company AT&T said Wednesday it had agreed to sell its Vrio satellite business in Latin America to Argentina's Grupo Wertheim for about \$500 million, The Wall Street Journal reported. The sale includes 100 percent of the equity in Vrio, covering 10.3 million subscribers across 11 countries in the

THE DIALOGUE CONTINUES

What Is Behind Venezuela's Arrest of Freddy Guevara?

Q Venezuelan agents on July 12 arrested opposition politician Freddy Guevara, a close ally of opposition leader Juan Guaidó.

Prosecutors accused Guevara of terrorism and treason on the same day that the administration of U.S. President Joe Biden relaxed some sanctions on Venezuela by allowing companies to export propane to the Andean nation. What are the reasons behind Venezuela's arrest of Guevara? What is the future of U.S. sanctions on Venezuela, and how will Guevara's arrest influence the Biden administration's Venezuela policy? How will the arrest affect upcoming talks between the opposition and President Nicolás Maduro's government, which are planned for next month in Mexico? What results are likely to come out of the talks?

A David Smilde, senior fellow at the Washington Office on Latin America and professor of sociology at Tulane University:

"These two actions occurred almost simultaneously, so it's not right to see the arrest of Freddy Guevara as a response to the relaxation of secondary sanctions on cooking gas, as some have suggested. That said, this arrest and the pursuit of other leaders of Voluntad Popular is clearly a setback to reports that there would be negotiations in Mexico in August. In June 2019, the death-

by-torture of Capt. Rafael Arévalo also temporarily set back the negotiation process. But in the end, whether talks proceed will depend on the situation of the main actors and their strategic assessments. There is a clear strategic tension between segments of the opposition led by Henrique Capriles and civil society organizations that have made progress on partial negotiations and plan to continue doing so, and the Guaidó-led interim government that sees itself being marginalized and is seeking to regain its centrality through an 'integral negotiation' that will include moving up the presidential election. The Guaidó coalition knows the clock is ticking as it is not clear that the United States would continue recognizing it in 2022. Recent announcements by the United States, European Union and Canada regarding their disposition toward phased sanctions relief corresponding to negotiation progress has provided a sense of opportunity to all sides. The art of moving forward will be to bring together all of these parties, with their different interests and theories of change, into one process that has several levels and several temporalities."

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

Americas, including Argentina, Brazil, Chile, Colombia, Ecuador, Peru and other markets, which were inherited from AT&T's purchase of DirecTV in 2015 for some \$49 billion. The Vrio deal, which is expected to close next year, will trigger a \$4.6 billion accounting charge for AT&T, which includes \$2.1 billion related to accumulated foreign currency translation adjustments. "This transaction will further allow us to sharpen our focus on investing in con-

nectivity for customers," Lori Lee, the CEO of AT&T Latin America, said in a statement. "We remain committed to Latin America through our wireless business in Mexico and services for multinational corporations operating in the region." Grupo Wertheim describes itself as a private holding company that has been doing business for more than 100 years with investments in telecommunications, finance, insurance, agribusiness and real estate.

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reactivation, but above all, the construction of political alliances to survive the months to come.”

A **Julio Carrión, associate professor and associate chair of the Department of Political Science and International Relations at the University of Delaware:** “The baseless electoral fraud allegations have already damaged Peru’s democracy. The Barometer of the Americas regional poll had detected an erosion of trust in Peru’s elections in 2019, with a level of trust that was the lowest since 2012. It is very likely that we will see a further decline this year. Keiko Fujimori’s final ‘recognition’ of the electoral outcome came with a reiteration of her accusations of fraud, and a warning that ‘the truth will come to light.’ An IPSOS poll reveals that only 39 percent of voters believe the runoff was clean. This is unfortunate and worrisome. Pedro Castillo, unlike any Peruvian president who has taken office since 2001, will now start with a severe deficit of legitimacy, caused entirely by his contender’s refusal to accept the voters’ verdict. Unlike other populist presidents of recent history in Latin America, Castillo is not entering office on the crest of an electoral tsunami. His extremely narrow victory weakens his mandate to govern, perhaps even more so than Fujimori’s campaign of denial and misinformation. The first runoff poll conducted by IEP gave Castillo a commanding 20-point lead, yet he only ended up winning by a quarter of a percentage point. Further, about 25 percent of voters who supported Castillo did so out of motivation to reject Fujimori (according to an IEP poll conducted after the election). Castillo also does not have a majority in Congress, and to secure the leadership of the legislature, he will need to build alliances with centrist parties, such as AP, Podemos Perú and APP. These parties are demanding that Castillo drop or postpone his push for a constituent assembly. If this agreement fails, then Congress will be led by a conservative coalition. Castillo starts

with a weak position and if he overreads his electoral mandate, he will confront severe headwinds.”

A **Rocío del Pilar Verástegui Ledesma, professor in the Department of Social Sciences and of the School of Government at the Pontifical Catholic University of Peru:** “A functioning democracy, recalling Robert Putnam’s book, requires networks of trust. Indeed, the accusations of fraud and subsequent delays in the proclamation of Peru’s president-elect created an environment of uncertainty and mistrust among Peruvians, exacerbated by polarization, which awakened historical fractures. The pending issues that we left unresolved following independence were expressed in attempts to ignore the votes of the poorest areas of the country and in attempts to annul those votes. Despite this, the electoral bodies, through their transparency and procedures, announced the results nine days before our bicentennial. President-elect Castillo gave a speech calling for unity without discrimination, and Fujimori has accepted the results in a contradictory way. She questions their legitimacy but says she will accept the results. It is symbolic that a teacher with experience organizing in the peasant communities will become president at a moment in which, in order to regain trust and weave networks of trust for democracy, we require the recognition of all Peruvians and integrity in the use of public resources. To do this, the next president will have to surround himself with politicians and officials committed to Peru, listen to the demands of the population, form coalitions that allow governance and make decisions that respond to responsible expectations of change with responsibility. At the same time, he should promote citizenship and listen to the hopes of young people and the population that has become interested in politics because they know that it has consequences in their lives and requires health, education and freedom to develop.”

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