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THEDIALOGUE

FEATURED Q&A

What Is Behind the Upheaval in Peru's Government?

Peruvian President Pedro Castillo (L), who has been in office just over six months, on Tuesday swore in his fourth prime minister, Aníbal Torres (R). Castillo also named new cabinet ministers. // Photo: Peruvian Government.

Q Peruvian President Pedro Castillo, who took office last July, on Tuesday swore in his fourth prime minister, former Justice Minister Aníbal Torres. Castillo's last prime minister, Héctor Valer, resigned last week after just four days on the job amid domestic violence allegations, which he has denied. Castillo left Finance Minister Oscar Graham and Foreign Minister César Landa in their posts but named a new health minister, Hernán Condori. Why is there so much upheaval in Castillo's administration, and what does he need to do in order to normalize it? What does the cabinet instability mean for Castillo's policy agenda? To what extent does the instability in the cabinet foreshadow a potential early exit for Castillo himself before his term ends? How is the opposition-controlled Congress likely to act in relation to Castillo's cabinet?

A Augusto Álvarez-Rodrich, daily columnist on political affairs at La República: "With four cabinets in the first six months alone, a contradictory and directionless government and a political system rotted by the infiltration of mafias in all the powers of the state—including the presidency and the Congress—the Peruvian population is experiencing great uncertainty in a context of accelerated economic deterioration and the urgency of the challenge of defeating the pandemic. The Peruvian crisis is old, but it has worsened a lot in the last half year due to a president like Pedro Castillo, who makes ignorance a source of pride. He assures that he came to the presidency to learn, but each passing day confirms that he is a professor who does not learn anything and instead goes backwards. The origin of this crisis is

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TODAY'S NEWS

POLITICAL

U.S. Senators Call on Mexico To Do More to Protect Journalists

In an open letter, U.S. Senators Marco Rubio (R-Fla.) and Tim Kaine (D-Va.) said Mexico should do more to protect journalists, at least four of whom have been killed this year.

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BUSINESS

Newmont Buying Additional Stake in Peruvian Mine

U.S.-based Newmont has agreed to purchase an additional stake in Peru's Minera Yanacocha asset from Compañía de Minas Buenaventura.

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ECONOMIC

Kerry in Mexico for Talks on Energy Plans

U.S. climate envoy John Kerry is scheduled for talks today in Mexico to discuss the country's power sector plans, which have raised tensions with the United States.

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Kerry // File Photo: Millennium Challenge Corporation.

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POLITICAL NEWS

U.S. Senators Call on Mexico To Do More to Protect Journalists

In an open letter to U.S. Secretary of State Antony Blinken, two prominent U.S. senators on Tuesday said Mexico should do more to protect journalists. The letter from Marco Rubio (R-Fla.) and Tim Kaine (D-Va.) followed the killings of at least four journalists so far this year in Mexico. Nine journalists were killed there last year, and at least 148 have been slain since 2000, Rubio's office said in a statement. "We write to express deep concern about the ongoing killings of journalists in Mexico and to seek greater insight into U.S. efforts in support of press freedom in the country," the senators wrote in the letter to Blinken, according to a copy released by Rubio's office. "While the bilateral partnership between our nations remains strong, the U.S. must urge the Mexican government to seriously improve efforts to protect journalists." In the letter, Rubio and Kaine criticized Mexican President Andrés Manuel López Obrador. "The years-long violence against journalists in Mexico cannot begin to lessen as long as the country's leader continues to normalize hostility towards freedom of expression," the senators wrote. One day after the funeral last month of slain journalist Lourdes Maldonado López, "the president reiterated his government's support for free speech, but simultaneously said that 'very few journalists, women and men, are fulfilling their noble duty to inform. Most are looking to see how we fail,' " the senators wrote. "These comments follow a familiar pattern of President López Obrador consistently disparaging journalists for daring to criticize his administration," Rubio and Kaine added in the letter. On Jan. 31, online journalist Roberto Toledo was fatally shot in the city of Zitácuaro in the state of Michoacán. Maldonado López and crime photographer Margarito Martínez were killed within the span of a week in Tijuana, and reporter José Luis Gamboa was killed in an attack in Veracruz on Jan. 10.

ECONOMIC NEWS

U.S. Climate Envoy Kerry Visiting Mexico for Energy Talks

U.S. climate envoy John Kerry will be in Mexico today for meetings with officials to discuss the country's energy plans, the Associated Press reported. In moves that have raised tensions with the United States, Mexican President Andrés Manuel López Obrador plans to favor Mexico's state-owned electricity company and limit foreign and private firms that have invested in renewable energy in the country. The U.S. Embassy in Mexico said in a statement on Tuesday that the plan promotes "the use of dirtier, antiquated and expensive technologies over efficient renewable alternatives." [Editor's note: See related **Q&A** in the Oct. 22 issue of the Dialogue's weekly Energy Advisor.]

BUSINESS NEWS

Newmont Acquiring Additional Stake in Minera Yanacocha

Newmont has entered a definitive purchase agreement with Lima-based mining company Compañía de Minas Buenaventura, the U.S.-based gold mining company announced on Tuesday. Through the agreement, Newmont will acquire the Peruvian company's 43.65 percent interest in Minera Yanacocha. Newmont is paying $300 million in addition to as much as $100 million in contingent payments that are partially tied to higher metals prices. Tom Palmer, the president and CEO of Newmont, which is headquartered in Denver, said the company is looking forward to maintaining a "strong relationship" with Buenaventura. He added that the acquisition provides Newmont with "control of the Yanacocha district where we are positioning the sulfides project for profitable production and value generation for decades

NEWS BRIEFS

Man With Ties to Former Honduran President Sentenced in New York

Geovanny Fuentes Ramírez, a Honduran national with connections to former President Juan Orlando Hernández, on Tuesday was sentenced to life in prison after being convicted in a Manhattan courtroom on cocaine-importation and weapons offenses, the U.S. Attorney's Office for the Southern District of New York said in a statement. "In committing his narcotics crimes, Fuentes Ramírez bribed high-ranking Honduran officials and was responsible for brutal acts of violence and murder," U.S. Attorney Damian Williams said in a statement. Fuentes Ramírez was also ordered to forfeit $151.7 million.

Brazilian Investment Management Firm XP Sees 50% Jump in Profit

Brazilian investment management company XP on Tuesday reported a jump of more than 50 percent in adjusted profit for last year's fourth quarter, Reuters reported. A diversified portfolio offset a 5 percent decline in equities volume, the company said. XP said its net revenue rose to 3.26 billion reais ($616.9 million) for the fourth quarter, while its assets under custody amounted to 815 billion reais, a 23 percent increase from the same period a year earlier.

IFC to Provide Backing to Jamaica's Rock Connect for Broadband Rollout

The World Bank's International Finance Corporation, or IFC, said Tuesday that it has signed an agreement with Jamaican telecommunications provider Rock Connect in order to provide market expertise to support the development of the company's network and expedite the rollout of broadband services to Jamaica's underserved communities, the IFC said in a statement.

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to come." Prior to the acquisition, Newmont owned 51.35 percent of Yanacocha, Dow Jones Newswires reported. The gold mining company may have the opportunity to acquire complete ownership of Yanacocha as well, as Japanese company Sumitomo is considering whether it should return its 5 percent stake in Yanacocha in exchange its original purchase price, in accordance with its 2018 purchase agreement with the mine, Newmont said in its statement. Newmont is "committed to continuing to be a catalyst for sustainable development in Peru by working closely with communities in the Cajamarca region and the Peruvian government," Palmer said, according to the company statement.

Brazil's Bradesco Posts $1.26 Billion in Profit for Q4

Brazil's Banco Bradesco on Tuesday posted fourth-quarter net income that was slightly below estimates, but the bank also made positive projections for this year, Reuters reported. The bank's recurring net income totaled of 6.613 billion reais ($1.26 billion), falling short of an analyst consensus by Refinitiv of 6.916 billion reais. The result was also down 2.8 percent from the same quarter a year earlier, Reuters reported. Despite low expectations for Brazil's economic growth this year, Bradesco has projected that its credit portfolio should grow between 10 percent and 14 percent. Bradesco added that it expects its loan-loss provisions to total between 15 billion and 19 billion reais, 26.6 percent higher than last year, Reuters reported. In a **Q&A** published in the Advisor Dec. 16, Manuel Orozco, director for sovereign and international public finance ratings at S&P Global, said a combination of factors are affecting Brazil's economy this year. These include the "ongoing and fast monetary tightening by the central bank due to surging inflation, upcoming national elections and investor concerns about long-term fiscal policy," which he said will "constrain consumption and investment in 2022, resulting in GDP growth below 1 percent."

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Castillo, a demonstrably inept president who has squandered every opportunity to make amends during the first half of his presidency, leaving little hope that he will improve in the future. Every day, the consensus grows in Peru that it would be good for the country if President Castillo resigned in order to end this crisis, that Congress should too, and that the country should hold new elections. The growing consensus is for everyone to go. That does not guarantee that what comes will be better, but it does ensure that we get out of a situation that does not work for the people."

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "Peru's political waters are more turbulent than ever, and Castillo's ship is in grave danger. The cabinet appointed on Feb. 1 lasted only three days. In six months in office, Castillo will have named four prime ministers; he has made more cabinet changes in his first six months than any Peruvian president in at least 50 years. The consensus is that Castillo does not choose his ministers carefully. The prime minister named on Feb. 1, Héctor Valer, had been credibly accused of domestic abuse, among other crimes. Having been elected to Peru's 2021 Congress for a far-right populist party, Valer was also a political opportunist. A large number of Castillo's ministers had no meaningful experience in the sector that they were asked to lead, and a considerable number faced legal charges. Fears about Castillo's incompetence have been heightened by his suggestion in an interview with CNN en Español that, upon a referendum, Peru could cede territory to Bolivia. Fears about Castillo's ethics have been heightened by revelations of his irregular meetings with VIPs outside the presidential palace. In this context, Castillo will find it very difficult to recruit able ministers. The debate in Peru is turning to possible exits for Castillo. Not only Peru's rightist parties, but also its centrist parties, are considering impeachment, which Congress can approve on a two-thirds vote on the grounds of 'moral incapacity.' Castillo would be succeeded by Vice President Dina Boluarte. However, after five years of executive-legislative conflict and various short-term presidents, there is awareness that, if widely perceived as unfair or incorrect, Castillo's exit could be a cure worse than the disease. Castillo's approval rating is now a tad below 30 percent; if it continues to fall, the debate about his exit will intensify."

A Mercedes Aráoz, senior professor of finance at the Universidad del Pacífico and former vice president of Peru: "Castillo reminds us of the tale of the Emperor's New Clothes. The president is unable to see that he himself is causing this crisis in Peru. He removed allies of Nuevo Perú from his cabinet. Ministers are now making strong accusations of corruption, and a shadow cabinet didn't allow his former prime minister, Mirtha Vásquez, to lead government policy. He then named Prime Minister Héctor Valer, a congressman who jumped from an ultraconservative party to a leftist group led by Congressman Guillermo Bermejo, who also resigned from Peru Libre, the government party. Not only did Valer have bad political credentials, he has been accused of domestic violence. The new members of the cabinet presented neither the credentials, nor the capabilities or reputation. So, another crisis developed, and a fourth cabinet—in less than seven months—has to take shape. What Castillo apparently wanted was to generate a response from Congress denying a vote of confidence in the Valer cabinet and, as Valer said, use his silver bullet and risk Congress being dissolved. Castillo is unable to recognize his mistakes and is pointing to political rivals and the press as the causes of the crisis. Many voices beyond his usual opposition are saying it is time for President Castillo to step down. The instability is

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triggering a profound damage in the governance and economy of Peru. People in the streets are shouting that the emperor has no clothes, and the emperor is not listening."

Katya Rimkunas, regional deputy director for Latin America and the Caribbean at the International Republican Institute:

"While Peruvians are familiar with political turmoil and instability, Castillo's start is challenging their comfort levels. From the moment he won the election, many predicted the obstacles and challenges Castillo would face in governing and advancing his agenda. Despite Castillo's Free Peru party having the largest number of seats in Congress, the long-standing hostility between the president and Congress did not dissipate after congressional elections, and there are emerging fissures from within his own coalition. If President Castillo can't secure congressional support to move forward with his agenda, he is likely to seek support elsewhere. Last week's cabinet reshuffle presented a mishmash of actors who could bring in new allies. Castillo removed ministers who were aligned with Verónika Mendoza and the New Peru party and brought in members who were closer to specific interest groups. But while new alliances could help Castillo, his early track record will make it difficult to recruit strong and experienced professionals to the government. Thus, Castillo's woes are far from gone, and threats of impeachment loom. Instability and upheaval in government distract and make it impossible for real progress to be made on any policies,

> **"Castillo's woes are far from gone, and threats of impeachment loom."**
>
> **— Katya Rimkunas**

which in turn makes Castillo's government look like it's improvising and unable to effectively govern. At best, Castillo can hope for a stalemate with Congress where he is not impeached but is unable to get needed legislation passed. Watch for more drama to come."

[Editor's note: The commentaries above were submitted to the Advisor before President Pedro Castillo named his new prime minister and cabinet on Tuesday. Additionally, the Advisor requested a commentary for this issue from Peru's embassy in Washington but received no response.]

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

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