

BOARD OF ADVISORS

- Diego Arria**
Director, Columbus Group
- Merike Blöfield**
Director, Institute for Latin American Studies, GIGA
- 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**
Council Member, GLG Inc.
- James R. Jones**
Chairman, Monarch Global Strategies
- Craig A. Kelly**
Senior Director, Int'l Gov't Relations, Exxon Mobil
- Barbara Kotschwar**
Executive Director, Visa Economic Empowerment Institute
- 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
- Ernesto Revilla**
Head of Latin American Economics, Citi
- Gustavo Roosen**
President, IESA
- Andrés Rozental**
President, Rozental & Asociados
- Shelly Shetty**
Managing Director, Sovereigns Fitch Ratings

FEATURED Q&A

Will a New Criminal Investigation Sink Peru's Castillo?



Peruvian President Pedro Castillo, who has been in office for just 10 months, has survived two impeachment attempts and now faces a criminal investigation. // File Photo: Peruvian Government.

Q Peru's attorney general's office on May 29 announced that it will investigate President Pedro Castillo in connection with allegations of crimes including influence peddling and collusion. The allegations are part of a case against a former transportation and communications minister and six opposition legislators. To what extent does the investigation threaten the presidency of Castillo, whom lawmakers have already unsuccessfully attempted to impeach twice? What is most likely to come of the investigation, given that as a sitting president Castillo has immunity from prosecution? What have the repeated impeachment attempts against Castillo, and now a criminal investigation, meant for Peru's business climate?

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "The investigation is a serious threat to Castillo's presidency. A recent tape recording between Castillo's first transportation and communications minister, Juan Silva, and businessman Zamir Villaverde manifests the 'criminal network' for corruption in public-works contracting within the ministry alleged by prosecutors. Although the tape does not directly implicate Castillo, it deepens questions about his ties to Silva, who had no qualifications for his ministerial position but was a Castillo friend, hailing from Castillo's hometown. Although it is unlikely that the case meets the constitutional criteria for Castillo's loss of immunity from prosecution, it is likely that the ongoing investigation will provide the kind of evidence of 'moral incapacity' that would push on-the-fence lawmakers toward impeachment. Also, this threat to Castillo's presidency is more

Continued on page 3

TODAY'S NEWS

POLITICAL

Leaders Sign Migration Deal as Summit Closes

The Summit of the Americas closed on Friday with Western Hemisphere leaders signing a pact on migration that supporters say provides a framework for how countries handle migrants and refugees.

Page 2

ECONOMIC

Venezuela, Iran Sign Cooperation Agreement

In Tehran, Venezuelan President Nicolás Maduro and Iranian President Ebrahim Raisi signed a 20-year cooperation agreement to expand ties in the oil and petrochemical industries.

Page 3

POLITICAL

Former Bolivian President Gets 10-Year Sentence

A Bolivian court sentenced former President Jeanine Áñez to 10 years in prison after convicting her of charges related to her assumption of office amid the country's 2019 political crisis.

Page 2



Áñez // File Photo: Bolivian Government.

POLITICAL NEWS

Former Bolivian President Áñez Sentenced to 10 Years

A Bolivian court on Friday sentenced former President Jeanine Áñez to 10 years in prison after convicting her of charges related to her taking office as president amid a political crisis in 2019, the Associated Press reported. Áñez assumed power that year amid violent protests against her predecessor, Evo Morales, who had attempted to serve a fourth consecutive term but wound up fleeing the country after the demonstrations erupted. On Friday, Áñez was convicted of dereliction of duty and violating the constitution when she took office in what Morales and his supporters have characterized as a coup, the AP reported. Supporters of Áñez deny that her taking power amounted to a coup, and her attorneys say she will appeal the conviction. "I did not lift a finger to become president, but I did what I had to do to pacify a country that Morales left convulsed as he fled," Áñez said from the prison where she is in custody. The October 2019 protests left 37 people dead and came amid nationwide unrest over suspected fraud in the country's Oct. 20 election in which Morales claimed to have been elected to a fourth consecutive term. Morales denied fraud but agreed to calls for his resignation and fled to Mexico in early November. Members of Morales' MAS party, which returned to Bolivia's presidency in 2020 with the election of Luis Arce, applauded Áñez's conviction and sentencing. The trial establishes a "historic precedent" against impunity, said MAS lawmaker Juan José Jáuregui, the AP reported. The case against Áñez has highlighted divisions in Bolivia and also fueled concerns about political retribution. "We are concerned about how this case has been pursued, and we call on superior courts to examine how the proceedings were conducted," César Muñoz, a senior researcher for the Americas at Human Rights Watch, told Reuters. Áñez was not allowed to participate in the trial in person but followed the proceedings from her

prison cell. She has been detained since her arrest in March 2021. The court on Friday also convicted and handed down 10-year sentences to Armed Forces General Williams Kaliman and ex-police Commander Vladimir Calderón, the AP reported. Four other former military leaders were convicted but received lighter sentences, the wire service reported.

Western Hemisphere Leaders Sign Deal on Migration at Summit

The Summit of the Americas closed Friday in Los Angeles with Western Hemisphere leaders signing a migration pact that they said would provide a framework for countries hosting large numbers of migrants and refugees, the Associated Press reported. The agreement, known as the Los Angeles Declaration, involves principles on legal pathways for migrants to enter countries, as well as on aid to communities affected by migration, coordinated emergency responses and humane border management, the wire service reported. "Each of us is signing up to commitments that recognize the challenges that we all share," said U.S. President Joe Biden. "This is just a start ... Much more work remains, to state the obvious," he added. The United States will commit \$314 million to helping countries that host migrants and refugees, and it will resume or expand efforts to reunite Cuban and Haitian families, the AP reported. Several Latin American countries have also announced new commitments. Costa Rica will extend protections for migrants from Cuba, Nicaragua and Venezuela who arrived in the Central American nation before March 2020. Mexico will extend an additional 20,000 temporary worker visas for Guatemalans annually. And President Guillermo Lasso announced that Ecuador would grant temporary status for the some 500,000 Venezuelans. As the summit began a week ago, a group of approximately 7,000 migrants set off on foot from southern Mexico toward the United States, but Mexican authorities disbanded the group on Saturday by redirecting members to migration offices, Reuters reported.

NEWS BRIEFS

Brazilian Police Find Personal Items Belonging to Missing Pair

Police in Brazil on Sunday said they had found personal items belonging to missing journalist Dom Phillips and Indigenous expert Bruno Pereira, BBC News reported. The men went missing while traveling by boat in the Amazon rainforest on June 5. The pair had been reporting on the increasing threat of illegal fishermen and poachers, as well as illicit logging, mining and drug activities.

Petro, Hernández Virtually Tied Ahead of Colombia's Presidential Runoff

Anti-corruption candidate Rodolfo Hernández and leftist former guerrilla Gustavo Petro are in a statistical tie ahead of next Sunday's runoff election for Colombia's presidency, Reuters reported. According to an InVamer poll released on Friday, Hernández, a former mayor and businessman with no clear political ideology, received 48.2 percent support in the poll, while Petro, a current senator, had 47.2 percent. The difference falls within the poll's margin of error of 2.69 percent. Hernández came from behind in May's first-round election, defeating center-right candidate Federico Gutiérrez.

Mexico's Klar Announces \$90 Million in Funding

Mexican digital financial services platform Klar last Thursday announced that it had raised \$90 million in funding in a round led by General Atlantic. Prosus Ventures, Quona, Mouro, IFC, Acrew, WTI and Endeavor Catalyst also participated in the round, Klar said in a statement. The start-up bank, which provides customers with deposit and credit services, said it has added 1.4 million customers over the past 12 months. It has raised more than \$150 million in funding since its inception in 2019.

ECONOMIC NEWS

Venezuela's Maduro Signs Cooperation Deal on Iran Visit

In his first visit to Tehran, Venezuelan leader Nicolás Maduro on Saturday signed a 20-year cooperation agreement with Iranian President Ebrahim Raisi to expand ties in the oil and petrochemical industries, the military and their economies, the Associated Press reported. Iran recently sent tankers carrying badly needed fuel to Venezuela, skirting U.S. sanctions on both nations. Iran's state-funded PressTV quoted Maduro saying the two men would discuss "the need to well inform the Iranian and Venezuelan nations about the war of sanctions and find ways to counter them with steadfastness," according to the report. "Caracas and Tehran have shaped the strategy of [a] resistance economy and are working to expand it," he said. An Iranian delegation led by Oil Minister Javad Owji last month met with Maduro and other high-ranking Venezuelan officials in Caracas to discuss closer energy cooperation. Although the Andean nation's devastated economy has been recovering from historic contraction over the past year, Venezuela's oil exports dropped 8 percent in April as compared to March. Some experts warn that Venezuela's embrace of nontraditional partners like Iran could backfire in the long term. "What seems evident now is the deepening of [their] relationship to improve Venezuela's refining capacity, with Iran participating in a project to help revitalize the El Palito Refinery, deliver refined oil to world markets and probably design new collection mechanisms for these exports, in which Iran has years of experience," Luis Vicente León, political analyst and president of Datanalisis in Caracas, told the Advisor last month. "The Maduro government will further move to 'de-westernize' its oil sector—an incredible geopolitical error that should be stopped immediately," León added. [Editor's note: See related [Q&A](#) in the May 20 issue of the weekly Energy Advisor.]

FEATURED Q&A / Continued from page 1

serious than previous threats because he has lost popular support; his approval rating is only about 20 percent. However, impeachment is politically complicated. Next in line to the presidency is Vice President Dina Boluarte; she is under fire from several quarters. After Boluarte is the Congress speaker, María del Carmen Alva, who is unpopular. Most Peruvians want new elections for both the presidency and Congress, but immediate re-election of legislators is banned so legislators would lose their jobs. Legislators may want to wait for impeachment until late July, when Alva's term is up and she could be succeeded by a more popular legislator. Peru's business climate is undermined by both instability and institutional degradation under Castillo. Many ministers have been incompetent and have failed to resolve problems. For example, in the mining sector, without a competent minister, conflicts between major mines and nearby communities have continued, paralyzing production. Despite a new International Monetary Fund credit line of about \$5.4 billion, Peru is suffering supply-chain bottlenecks, very high inflation and downward growth forecasts."

A **Julio Carrión, associate professor of political science and international relations at the University of Delaware:**

"Pedro Castillo is in an unusual place. His political weakness increases daily as suspicions of corruption mount. There is a growing consensus, including among the public at large, that Castillo is unlikely to finish his term. For now, he is clinging to the presidency. The attorney general's decision to investigate Castillo is unprecedented. Former Attorney General Zoraida Ávalos opened two investigations against Castillo earlier this year, but she immediately suspended them, claiming that sitting presidents cannot be actively investigated while in office. The current attorney general decided to challenge precedent, given the mounting evidence that Castillo may be the

leader of a corruption network tied to public works. The attorney general can build a case against Castillo but cannot indict him until he leaves office. The constitution allows for the removal of presidents only under a very specific set of circumstances, none of which relate to issues of corruption. Congress can remove the president by declaring him to suffer from 'permanent moral incapacity,' but 87 votes would be required to do so. Castillo has relied on the large representation of his Perú Libre (PL) party in Congress to survive two impeachment proceedings. PL is now divided between a pro-Castillo faction and a faction loyal to the party leader Vladimir Cerrón. The Cerronista faction still controls 17 seats in Congress, and if it joins forces with center and right-wing parties it easily exceeds the 87 votes needed to remove Castillo. This means Castillo is a hostage to Cerrón, and Castillo's tenure in office will largely depend on Cerrón's political calculations. Peruvian business owners are used to dealing with political instability, but Castillo's incompetence adds a new element of uncertainty. For instance, there are concerns that his administration is not seriously considering the possibility of a collapse in food production due to the scarcity of fertilizers. The economic forecasts are modestly good, but given Castillo's proven ineptitude to deliver good governance, a sudden social or economic crisis can derail them."

A **Francisco Durand, professor of political science at the Catholic University of Peru:** "All Peruvian presidents from 1985

on have been cursed by *la maldición del cemento*: investigations of rigged contracts in public works at a time when the justice system, with all its limitations, 'is working.' This outcome in great part results from a new generation of justice personnel (more professional, some honest) who rely on plea bargain mechanisms to launch investigations. Now the 'humble' Castillo's presidency, in theory untainted by Lima's corrupt

Continued on page 4

FEATURED Q&A / Continued from page 3

practices, is joining the list of presidential bandits. Before this case (as occurred with former Presidents García and Humala), the attorney general defended the principle of immunity and exempted the president from criminal investigations. Now Pablo Sánchez, a prestigious attorney general and promoter of the 'Car Wash' investigations, has adopted an interpretation that basically eliminates presidential immunity. It is quite a change, a decision that reinforces a power shift to

“Ongoing political instability will keep generating higher economic uncertainty...”

— Francisco Durand

make Congress the 'first branch' of government. The decision also reinforces the conservative opposition's plans to impeach the president. There are several consequences. Certainly, the case will continue to weaken the presidency and, if Castillo falls, take the political crisis to a new level. Ongoing political instability will keep generating higher economic uncertainty, reinforcing capital flight and disinvestment, all at a moment when international inflation is hitting Peru and contributing to social unrest. The silver lining is a relatively good fiscal scenario and high mineral prices. The deeper problem, however, is that a congressional government is not a credible alternative in a country of presidentialist traditions. In addition, the conservative opposition does not enjoy popular support. The most likely scenario is a deeper crisis and perhaps a power vacuum. At the same time, since the Castillo investigation depends on plea bargain mechanisms, justifying its validity, it creates a problem for all those being investigated (Humala, Kuczynski and Keiko Fujimori), who

now cannot attempt to limit or eliminate plea bargain mechanisms.”

A **Augusto Álvarez-Rodrich, daily columnist on political affairs at La República:** “The president of the republic cannot be indicted during his mandate except for specific causes established in the constitution—none of which include corruption—but the attorney general's decision to open an investigation of President Castillo over allegations that he led a criminal organization to direct public works in exchange for the payment of bribes, will weaken Castillo's presidency much more than it already is, for several reasons. First, the corruption allegations that are being made strongly compromise the president. Second, given Castillo's growing political weakness, the people who would have participated in these acts of corruption are choosing to collaborate with the justice system in order to obtain milder sentences, which ends up compromising the president more. Third, justice moves slowly, but the political impact of the corruption revelations in the media goes fast and will further erode President Castillo's legitimacy with the public. Fourth, this is all occurring in a context in which quality of life is seriously deteriorating as prices rise due to external shocks (such as Russia's invasion of Ukraine) and the Castillo government's issuance of signals that deeply affect the confidence of private investment, which has stagnated, affecting growth and job creation. Fifth, although Congress does not want to remove President Castillo due to particular political interests, public pressure may force his fall sooner rather than later. For all of these reasons, the possibility that Castillo will not complete his presidential term has grown substantially.”

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 ISSN 2163-7962

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Leticia Chacón

Reporter
lchacon@thedialogue.org



Rebecca Bill Chavez, President
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Santiago Cantón, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Selina Ho, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia Program
Manuel Orozco, Director, Migration, Remittances and Development Program
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Michael Shifter, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Nonresident Senior Fellow

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

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.