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FEATURED Q&A

What Has Peru's Castillo Achieved in His First Year?



Peruvian President Pedro Castillo took office one year ago this month. Since then, he has faced multiple impeachment attempts and cabinet instability. // File Photo: Peruvian Government.

Q Pedro Castillo on July 28 marks one year as president of Peru. In his first year in office, Castillo has faced impeachment attempts and investigations, and his administration has been marked by political instability and multiple cabinet changes. Meanwhile, Peru's economy has been growing by around 3 percent this year, and Castillo recently pledged to increase spending on education to 6 percent of GDP. What has Castillo accomplished in his first year as Peru's president? To what extent is he delivering on his campaign promises? Considering Peru's contentious political climate, how likely is Castillo to reach his second anniversary in office?

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "Castillo campaigned as 'the teacher,' with a pencil as his symbol, and he has kept his promise to increase education spending. Otherwise, he has not delivered on his promises. His slogan was 'No more poverty in a rich country,' but Peruvians lament that he was referring only to his family. As throughout the world, high gasoline and food prices have hurt the poor. To the relief of a good number of Peruvians, the promises of a new constitution and nationalizations have been blocked by Congress. To his credit, Castillo has maintained professionals in key economic posts and, buoyed by high mineral prices, they have enabled Peru's continued moderate economic growth. However, Castillo has also appointed many unqualified officials who have provoked allegations of cronyism and corruption, leading to dizzying ministerial instability. Often, the toll of these appointments is high and immediate;

Continued on page 3

TODAY'S NEWS

POLITICAL

At Least 13 Inmates Killed in Ecuador Prison Clash

At least 13 inmates were killed in a riot Monday at the Bellavista prison in the Ecuadorean city of Santo Domingo. A riot at the same prison left 44 people dead in May.

Page 2

ECONOMIC

São Paulo, Minas Gerais States Cut Local Taxes on Ethanol

The Brazilian states of São Paulo and Minas Gerais cut local taxes on ethanol in order to make the biofuel more economical at the pump. Brazil's Congress last week reinstated a tax advantage for biofuels.

Page 2

BUSINESS

Nubank Growing Faster Than Expected in Mexico: CEO

Nubank Holdings is growing faster than expected in Mexico, said the Brazilian fintech's chief executive officer, David Vélez.

Page 2



Vélez // File Photo: Nubank.

POLITICAL NEWS

At Least 13 Inmates Killed in Riot at Ecuadorean Prison

At least 13 inmates were killed Monday in a riot in an Ecuadorean prison, a clash that happened just over two months after 44 people were killed in a riot at the same prison on May 9, the Associated Press reported. Two inmates were also injured in the clash at the Bellavista prison in Santo Domingo, located 44 miles southwest of Quito, the penitentiary system said on its Twitter page. Authorities said they had regained control inside the facility. "Unfortunately, personnel from the center report up to now that 13 prisoners are dead and two are injured," the country's SNAI prisons agency said in a tweet, adding that the attorney general's office would conduct a final count of the fatalities, Reuters reported. Ecuadorean President Guillermo Lasso has attributed prison violence in the country to gangs that have battled for control of territory and drug trafficking routes. After the clash in May, authorities said they found weapons and explosives in the Bellavista prison, the AP reported. Last year, 316 prisoners were killed in prison riots in Ecuador, Reuters reported. [Editor's note: See [Q&A](#) on crime in Ecuador in the March 25 issue of the Advisor.]

ECONOMIC NEWS

São Paulo, Minas Gerais States Cut Local Ethanol Taxes

The governments of the Brazilian states of São Paulo and Minas Gerais on Monday cut local taxes on ethanol in an effort to make the biofuel more competitive at the pump, Reuters reported. Minas Gerais cut the ICMS tax, which is similar to a value-added tax, by seven percentage points to 9 percent, and São Paulo cut

the tax from 13.3 percent to 9.57 percent. The Brazilian state of Paraná decreased its ICMS tax by six percentage points to 12 percent, the wire service reported. The state of Goiás on Friday cut its tax on hydrous ethanol from 17 percent to 14 percent. The states' decisions followed the Brazilian Congress' vote last week to mandate the reinstatement of a tax advantage for biofuels as compared to fossil

“In addition to easing the pockets of miners, the tax reduction will maintain the competitiveness of biofuel...”

— Romeu Zema

fuels. The states are Brazil's four largest markets for ethanol, the wire service reported. "In addition to easing the pockets of miners, the tax reduction will maintain the competitiveness of biofuel, an important generator of jobs in our state," Romeu Zema, the governor of Minas Gerais, said in a Twitter posting. Zema, along with São Paulo Governor Rodrigo Garcia, are set to run for re-election in October, Reuters reported. The ICMS cut for São Paulo is set to reduce ethanol prices by about 0.17 reais (\$0.0314) per liter, said Garcia.

BUSINESS NEWS

Nubank Growing Faster Than Expected in Mexico: CEO

Brazil-based Nubank Holdings, the largest fintech in Latin America, is growing faster than expected in Mexico, CEO David Vélez told Reuters Monday in an interview. Nu Mexico reached 2.1 million customers in a year and a half, a number equivalent to 2.2 percent of Mexico's total adult population. After nine years, Nubank in Brazil has reached 30 percent of the adult population. "We thought it would be hard to beat the growth we had in Brazil in

NEWS BRIEFS

Bolsonaro Repeats Claims on Election Fraud to Foreign Diplomats

Brazilian President Jair Bolsonaro on Monday summoned a group of 40 foreign diplomats to his residence to repeat his baseless claims that the country's election system is vulnerable to fraud, Reuters reported. The president told the 40 envoys, which included diplomats from the United States, the European Union, Spain, Portugal and France, that Brazil's military should be called to ensure the election's transparency. Bolsonaro is trailing behind former President Luiz Inácio Lula da Silva in the polls leading up to the October election.

Protesters Block Roads in Panama After Rejecting Deal With Government

Protesters in Panama on Monday blocked roads with burning tires in Panama City after rejecting a deal signed Sunday with President Laurentino Cortizo's government, Agence France-Presse reported. Cortizo's administration agreed to cut the price of gasoline to \$3.25 per gallon and continue discussions on reducing the costs of food and medicine, but several unions called the agreement inadequate and said that it excluded many groups. Monday's demonstrations were a continuation of more than two weeks of protests over high fuel prices and increasing living costs in Panama.

Russian Tanker Discharging Oil at Cuba's Matanzas Terminal

A Russian oil tanker with approximately 700,000 barrels of fuel oil began on Monday to discharge its cargo at Cuba's Matanzas terminal, Reuters reported, citing Refinitiv Eikon vessel tracking data. Cuba has in recent months increased fuel imports in an effort to complement its own output, as well as imports from Venezuela.

Mexico, and we now see Mexican ops beating Brazil metrics," Vélez told wire service. After 18 months, Nubank has become the largest issuer of new cards in Mexico, while it took the fintech five years to reach the same status in Brazil. Nubank's shares have gone down almost 60 percent this year, which Vélez called "disappointing," the wire service reported. The company announced July 11 that Brazilian customers' deposits will not yield interest for the first 30 days, and analysts have said the decision is an important step to cut Nubank's funding costs, Reuters reported July 12. Vélez said that Nubank is involved in "several conversations" around Latin America and the United States that may result in acquisitions, the wire service reported.

Chile's Codelco to Keep Project on Hold Following Fatality

Chilean state-owned copper producer Codelco said Monday that it will keep construction at its Rajo Inca project on hold following the death of a worker at the site earlier this month, Reuters reported. "Work has been paralyzed since last Sunday and we are not operating the pit, and we are precisely in the process of redefining the conditions under which we can operate again," said Máximo Pacheco, the president of Codelco's board. On Monday, Codelco executives and regulators showed details of the accident during a session of the Chilean Chamber of Deputies Mining Commission, Reuters reported. In the incident, a truck that a contractor had been driving slid 40 meters off a platform and down a slope, killing the contractor. Work at the site was halted after regulators found problems including ones involving access controls. Regulators also discovered poor maintenance and a lack of accredited training, said David Montenegro, the head of mining regulator Sernageomin. "The standards of the divisions are not consistent with the standards that the vice presidency [of projects] works on, and we have detected this on more than one occasion," said Montenegro, Reuters reported.

FEATURED Q&A / Continued from page 1

for example, the agricultural ministry has failed to purchase the fertilizers necessary, especially for small-scale farming. The longer-term toll on democratic governance and legitimacy is also high. The odds are roughly 50-50 that Castillo survives the next year; much depends upon the high-stakes negotiations underway in Peru's Congress, in which its diverse blocs are trying to advance their own interests. Legislators may or may not be able to rally behind a new, broadly acceptable Congress speaker (who would succeed Castillo and his vice president upon impeachment). Legislators worry that Peruvians will demand not only new presidential elections but also new congressional elections (in which current legislators are not eligible to run). Legislators are most likely to act if economic recession or evidence of corruption by Castillo himself provokes street protests. However, the short-term perspectives of major political parties and serious problems in Peru's electoral system could lead to unfavorable outcomes."

A Carlos Arata, partner at Rubio Leguía Normand in Lima: "We cannot find any accomplishment from this government during its first year. We have experienced nearly a year of corruption scandals, investigations, votes of no confidence, censored ministers and division. Meanwhile, the president has shown total inability to run the country. Congress has shown more interest in trying to impeach the president instead of working for its constituents. However, it has at least served as a barrier for certain extremist measures the government intended to implement (such as modification of the tax and labor systems, expropriations and the modification of PPP agreements). The president (luckily) hasn't been able to deliver on his campaign promises, which in turn has also generated unrest in certain sectors of the population and the president's loss of support from his allies. If we add to this economic crisis due to the pandemic, loss

of confidence by investors and international factors, the general feeling about this government is more than negative. It is true that the government is not to blame for certain aspects of the crisis such as inflation and the increase of prices in general, but it is also true that the government has shown an absolute incapacity to deal with the crisis and, on the contrary, every weekend we see a new corruption scandal from people near the president (even his family). Under these circumstances, it is very difficult to say if the president will be able to complete his five-year term. The opposition in Congress doesn't seem to be capable to obtain the votes to oust him, and the left doesn't seem to be indignant by the corruption scandals."

A Julio Carrión, associate professor of political science and international relations at the University of Delaware: "Pedro Castillo has been a failure as president, and he is not likely to reach his second year in office. He has had four different prime ministers and has changed ministers at least 50 times. His approval rating in June was at 19 percent, half of what it was when he started. An IEP poll conducted last month shows that only 25 percent of respondents find him somewhat trustworthy, and 28 percent consider him somewhat honest. He is the first sitting president in recent memory who is being investigated for criminal conduct by the attorney general. He faces a potential impeachment on accusations of leading a criminal organization inside the executive branch. Most of his lofty campaign promises have not been delivered upon, and the best accomplishment one can point to is small cash transfers to vulnerable citizens to deal with the consequences of the pandemic. He recently proposed other cash payments to deal with rising food prices, but Congress has not yet passed them. While he did sign an executive order to give untenured teachers a salary bonus, his pledge to raise spending on education will require a difficult

Continued on page 4

FEATURED Q&A / Continued from page 3

budget negotiation with Congress, and it is unlikely to become reality. Castillo seems more preoccupied in building his own political base. He is trying to capture the teachers' pension fund to strengthen the position of the teachers' union he supports. Congress will elect new leadership in late July, and the negotiations are difficult because the new leader could become interim president in the likely scenario that both Vice President Dina Boluarte (who is facing an impeachment process) and Castillo are removed from office."

A **Augusto Álvarez-Rodrich, daily columnist on political affairs at La República:** "The first year of Pedro Castillo's presidency has been an absolute failure due to his lack of direction amid the absence of a government plan with precise objectives that organizes a work agenda for the public sector; by the degradation of the quality of the management of the public sector having been over by corrupt people without qualifications or knowledge; and by the president's colossal lack of leadership, as well as his blatant lack of preparation. As a consequence, in the last year consumer distrust has reached levels not seen in the country since 2004, worse than that of the most complex moment of the pandemic. Peruvians' perception of the country's progress went back 31 years, when

the country was going through hyperinflation and terrorism was at its most aggressive. The government has isolated itself: 70 percent of the public disapproves of the president; private investment has stalled due to confusing and threatening signals from the government; the unions have an adverse attitude toward the government; the relationship with Congress is tense; and regional conflict has grown notably. To all of the above must be added complaints of links between Castillo, his family and his closest circle with corruption, and he is the first president in office in the history of Peru to be investigated by the prosecution. This panorama produces high uncertainty about the stability of the government, raising the possibility that President Castillo will not complete his term, an outcome that would constitute the most optimistic scenario for the Peruvian perspective. In fact, more than two-thirds of Peruvians would like an early election for a new president and Congress, an institution that today has disapproval higher than the government. Most likely, within a year, Pedro Castillo will no longer be president of Peru."

[Editor's note: The Advisor requested a commentary for this issue from the Peruvian Embassy in Washington but received no response.]

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