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FEATURED Q&A

What Does Ongoing Instability Mean for Peru's Government?



Peruvian Prime Minister Anibal Torres (pictured) announced his resignation last week, but President Pedro Castillo refused to accept it. At the same time, Castillo put a new official in charge of the finance ministry. // File Photo: Peruvian Government.

Q Peruvian President Pedro Castillo on Aug. 5 rejected the resignation of his close ally, Prime Minister Anibal Torres, who had announced two days earlier that he would step down. In a tweet, Castillo added that Torres remained committed to working for the country. At the same time, Castillo replaced Óscar Graham as finance minister, naming center-left economist Kurt Burneo to the position. What are the reasons behind Torres' resignation and Castillo's refusal to accept it? Why did Castillo tap Burneo to run the Finance Ministry, and what will result from that change? What does Castillo need to do to bring more stability to his government? To what extent are the growing number of criminal investigations against Castillo hindering his government's agenda, and will his opponents eventually drive him from office?

A Mercedes Aráoz, senior professor of finance at Universidad del Pacífico and former vice president of Peru: "Anibal Torres, in a strict sense, did not resign, but rather made his position available to President Castillo. Apparently, this decision was put forward to the public in order to distract from the criminal investigations Castillo is facing. After four days without getting anyone willing to take the position, Castillo refused to accept the resignation and put more loyal people into his cabinet. Castillo is surrounding himself with people who can denounce the investigations. The testimonies of his former secretary and others are making him more aggressive against the opposition and the press. His lawyers are attacking the new prosecutor of

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TODAY'S NEWS

POLITICAL

Colombia, Venezuela Name Ambassadors

The Colombian and Venezuelan governments on Thursday named ambassadors to each other's capitals. New Colombian President Gustavo Petro is seeking normalized relations with the neighboring country.

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BUSINESS

Chile's Cencosud Reports \$21.9 Mn Loss for Q2

Chilean retailer Cencosud reported a \$21.9 million loss for the second quarter, weighed down by inflation in Argentina, which required it to write down the value of some of its assets.

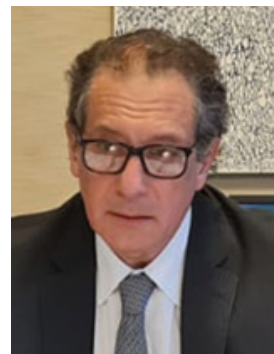
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ECONOMIC

Argentine Central Bank Hikes Rate 950 Basis Points

Argentina's central bank, led by Miguel Pesce, on Thursday hiked the country's benchmark interest rate 950 basis points, to 69.5 percent as it struggles to contain soaring inflation.

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Pesce // File Photo: Argentine Government.

POLITICAL NEWS

Colombia, Venezuela Exchange Envoys in Move Toward Thaw

The Colombian and Venezuelan governments on Thursday named new ambassadors to each other's capitals in a move toward normalizing relations that were broken off more than three years ago, Reuters reported. The move came just days after Gustavo Petro, who has vowed to mend relations with Venezuelan President Nicolás Maduro's government, took office last Sunday as Colombia's first leftist president. Maduro named former Foreign Minister Félix Plasencia as Venezuela's ambassador to Bogotá, and Petro named former Senator Armando Benedetti as his ambassador to Caracas, the wire service reported. Maduro added on Thursday that he was putting Venezuelan Vice President Delcy Rodríguez in charge of creating a plan to reopen the country's border with Colombia and also increase trade and investment with the neighboring country. Maduro's government severed diplomatic relations with Colombia in 2019 after Venezuelan opposition members tried to cross the border from Colombia into Venezuela with cargoes of food and medicine. Maduro's government called the

incident a masked attempt at a coup, Reuters reported. Also on Thursday, Colombian Foreign Minister Álvaro Leyva said the country's new government hoped to restart peace talks with the leftist National Liberation Army, or ELN, rebel group, the wire service reported. "We hope to resume talks with the National Liberation Army, ELN, in this land of peace in order to begin the path proposed by President Petro Urrego to achieve total peace," Leyva said in a televised statement during a visit to Havana. ELN representatives have remained in Cuba since their talks with the government of then-Colombian President Iván Duque broke down in 2019. Accompanying Leyva on the trip was Colombia's new high commissioner for peace, Danilo Rueda, as well as Senator Iván Cepeda, who heads the peace commission in the chamber, and Carlos Ruiz Massieu, the U.N. secretary general's special representative for Colombia, in addition to a representative of the Norwegian government, which has helped to mediate the talks. Gwen Burnyeat, junior research fellow in anthropology in the University of Oxford's Merton College, told the Advisor in a [Q&A](#) published July 1 that renewed relations between Colombia and Venezuela are an important part of the move by Petro's government to relaunch peace talks with the ELN. "This is crucial for negotiating with the ELN guerrilla and solving the conflict in the border regions, which are hot spots of the conflict with the ELN and for coca

NEWS BRIEFS

Thousands Gather at Pro-Democracy Rally at University of São Paulo

Thousands of Brazilians on Thursday gathered at the University of São Paulo's law school at an event to hear speakers read declarations defending democracy and Brazil's electoral systems, which President Jair Bolsonaro, who is currently trailing in the polls, has repeatedly attacked ahead of the October presidential election, the Associated Press reported. "We are at risk of a coup, so civil society must stand up and fight against that to guarantee democracy," José Carlos Dias, a former justice minister who helped to write the documents read Thursday, told the AP.

Chile's Cencosud Reports \$21.9 Million Loss for Second Quarter

Chile's Cencosud, one of South America's largest retailers, on Thursday reported a \$21.9 million quarterly loss, as neighboring Argentina's inflation affected the company's debt, Reuters reported. Excluding Argentina, the company registered a \$65 million profit, reporting that its overall revenue went up to \$3.81 billion, a 22 percent increase year-on-year. When including Argentina, Cencosud's revenue was \$3.7 billion, the wire service reported.

Pix Payment System Doesn't Lose Money for Banks: Central Bank Chief

Brazilian central bank chief Roberto Campos Neto on Thursday said the Pix instant payment system, which Brazilian policymakers launched in 2020, does not cause banks to lose money, Reuters reported. Campos Neto said that while the payment system has affected revenues to some degree, it increases the volume of transactions, offers new services and reduces cash costs for banks. "In the end, it's a win-win model," he said, the wire service reported.

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the nation, saying she is corrupt and acting in favor of the opposition and other obscure forces. One close advisor to the president offered false information to a reporter (who recorded the conversation) about the prosecutor. For the moment, Castillo's government isn't at risk because a fragmented and weak Congress in which he has enough allies won't allow for an impeachment. But the bad news is that it is a government without direction. Public policies needed to help Peru recover from the economic crisis have not been put in place. On the contrary, some policies oppose the private sector, so investment is paralyzed."

A **Francisco Durand, professor of political science at the Catholic University of Peru:** "Peru is led by an unexperienced, presumably corrupt president who cannot be immediately replaced. The congressional opposition, divided into 13 voting blocs, has an equally incompetent leadership and lower approval ratings than Castillo. Although the president is cornered by the congressional opposition, the corporate media and most Peruvian economic elites (multinationals are in a business-as-usual mode), they cannot impeach Castillo. Several reasons explain this situation. First, the most reasonable way

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crops," Burnyeat told the Advisor. "Together, the United States and Venezuela play key roles in Petro's agenda for 'total peace,'" she added.

Hundreds of Protesters March in Guatemala City

Hundreds of Guatemalans on Thursday protested alleged government corruption in Guatemala City, as well as high costs of living and what opponents say are attacks on freedom of expression by President Alejandro Giammattei's administration, the Associated Press reported. Many Guatemalans are unhappy about Giammattei's reappointment of Consuelo Porras to her second four-year term as the country's attorney general. Actors including the U.S. government have criticized Porras for blocking corruption investigations and pursuing judges and prosecutors seeking to try corruption cases, the wire service reported. Porras' office recently arrested journalist José Rubén Zamora, charging him with four felonies: money laundering, conspiracy, blackmail and influence peddling, Agence France-Presse reported. Zamora founded El Periódico, a newspaper whose staff has denounced the arrest as a retaliation for Zamora's reporting on Giammattei's government. Zamora has called the case against him a "set-up." Among the protesters marching in Guatemala City on Thursday were Indigenous leaders, the AP reported. "They are strangling us, our brothers, our people are those who are suffering all this high cost of living," said Enrique Saquic, an Indigenous leader from Santa Lucía Utatlán, the wire service reported.

ECONOMIC NEWS

Argentine Central Bank Hikes Key Rate 950 Basis Points

Argentina's central bank on Thursday raised the country's benchmark interest rate by 950 basis

THE DIALOGUE CONTINUES

How Much Will Protests Threaten Mining Investment?

Q **Copper production at Peru's Las Bambas mine, which is owned by Chinese state-controlled company MMG, restarted in early July following a two-month shutdown amid protests by Indigenous groups. During the shutdown, mining executives and analysts met in Lima to discuss concerns about social protests taking a toll on investment in the mining sector. How much do protests threaten investment from China and elsewhere in the mining sectors of Peru and other South American countries? What are the main demands of protesters in the vicinity of mines, and how should mine owners seek to work with them? What should the governments of Peru and other countries in South America do to help mines and local communities co-exist?**

A **Patricia I. Vásquez, global fellow at the Wilson Center:** "There is no one-size-fits-all solution to natural resource conflicts. From opposition to lithium mining in Serbia, Chile or Nevada to the shutdown of Peru's Las Bambas copper mine due to

points to 69.5 percent from 60 percent amid struggles to control soaring levels of inflation, which reached a 20-year peak of 71 percent, Reuters reported. Two weeks ago, the bank hiked its benchmark rate by 800 basis points to 60 percent when President Alberto Fernández's administration appointed Sergio Massa as the country's new economy minister. The central bank on Thursday said in a statement that its latest increase "will help reduce inflation expectations for the remainder of the year and consolidate financial and exchange stability," the wire service reported. Prices in Argentina rose 7.4 percent last month, according to the latest inflation figures. Fernández gave Massa, who was formerly the speaker of the Argentine

local community protests, each conflict has its unique traits. Local communities in producing regions in Latin America have a shared history of unfulfilled expectations and false promises on the part of the authorities and/or producing companies. In recent decades, companies and governments in many cases succeeded in avoiding conflicts, mainly through improved communication techniques and transparency. But more often than not, past mistakes come back to haunt them. In some cases, conflicts may be exacerbated by a lack of state presence in a producing region, or by wrong corporate approaches to dialogue. Sometimes, organizations defending a community cause may end up exacerbating local divisions. It is important to know the local history and for all stakeholders to commit to finding a solution based on realistic goals agreed upon among all stakeholders."

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

Congress' lower house, broader powers, creating what some analysts are calling an economy "super ministry." He was appointed to reduce Argentine inflation and avert a more serious economic crisis, said Kezia McKeague, a regional director at McLarty Associates, in the Q&A published in Thursday's Advisor. "Massa has pledged to raise foreign currency reserves, comply with the key target of a primary fiscal deficit of 2.5 percent of GDP ... and put a halt to money printing that has contributed to inflation," said McKeague. "Massa's appointment has raised expectations among investors given his reputation as a moderate on economic policy and his extensive ties with Washington and New York," she added.

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out is a referendum approved by the Congress to call for general elections, yet most legislators have vested interests and prefer to continue serving four more years. Second, recent scandals in the Congress have given Castillo some breathing space. Third, even if the impeachment eventually succeeds, a new president appointed by the Congress can generate higher uncertainty and ignite social protests. In this context, Castillo decided on a cabinet reshuffle. Prime Minister Aníbal Torres, in spite of his aggressive and, at times, clumsy attitude, stays as the main legal and political defender of the president. Two new appointments stand out. In the ministry of foreign relations, a right-winger, Miguel Ángel Rodríguez Mackay, a former critic of the president, takes over. It is an enigmatic appointment. In economy and finance, Kurt Burneo, an experienced and progressive policy expert, will attempt to increase investors' confidence and prioritize social programs. Taken as a whole, this new cabinet has more presidential defenders. Castillo's goal is to manage the short term and survive, having no sense of direction. The main threat he now faces are the attorney general's investigations."

A **Mariana Zepeda, Latin America analyst at FrontierView:** "A year into the Pedro Castillo presidency and close to 60 minister-level shifts later, cabinet reshuffles have become business as usual. However, Castillo's decision to reject the resignation of Aníbal Torres, a longtime ally and his fourth prime minister reveals the president's growing awareness of his worsening political isolation. Castillo's inability to govern effectively and forge alliances within Congress (and even within his own party) have led him here: now that he is faced with a rising number of

criminal investigations and needs political allies more than ever, Perú Libre is not only weakened and splintered, but it has expelled him. As a third impeachment attempt builds in Congress, Castillo is cornered. Attempting to spend his way out of the crisis may be his Hail Mary. To that end, Castillo opted to replace well-regarded orthodox finance minister Óscar Graham with left-wing economist

“**Castillo's decision to reject the resignation of Aníbal Torres ... reveals the president's growing awareness of his worsening political isolation.**"

— Mariana Zepeda

Kurt Burneo who has expressed commitment to stimulating public investment in order to stoke further growth regardless of central bank efforts to curb inflation. But can Burneo and the new cabinet emerge as Castillo's saving grace? Even if Castillo decides Peru is now primed to spend, budget execution challenges have worsened under the Castillo administration, in no small part stemming from constant leadership shifts within key ministries. Moreover, social tensions are building and likely to worsen because of continually rising inflation. Congress may have a vested interest in keeping Castillo at the helm of government, as early elections would affect legislator job security, but more widespread protests could change the game."

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

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