LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Monday, January 23, 2023

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Merike Blofield
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

THEDIALOGUE

FEATURED Q&A

What Can Peru's Government Do to Calm Unrest?

Protesters have taken to the streets in violent demonstrations since Congress ousted President Pedro Castillo in December. A protest last month in Lima is pictured. // File Photo: Mayimbú via Creative Commons.

Q At least 60 people have been killed amid violent protests in Peru since early December, when the country's Congress ousted President Pedro Castillo. In the city of Juliaca in southern Peru, 17 people were killed in clashes on Jan. 9 alone, making it the deadliest confrontation between civilians and police in the country in at least two decades. Human rights groups have accused security forces of indiscriminately using deadly force against civilians, and Peru's top prosecutor has opened a probe into genocide allegations against President Dina Boluarte. What can the government do in order to calm the unrest? To what extent do the protests threaten Boluarte's government? What is the economic fallout of the protests in Peru, including in the country's mining industry, and how has the continued social unrest changed the outlook for investment in Peru this year?

A Cynthia McClintock, professor of political science and international affairs at The George Washington University: "The current confrontations in Peru are the most intense since at least the 1970s and endanger not only Boluarte's government but any successor government. While conflict between the advantaged peoples of Lima and the disadvantaged peoples of Peru's interior is long-standing, it is now ferocious; the protests in Lima on Jan. 18 and 19, primarily by southern-highlands residents who traveled to the capital, were to culminate in the 'seizure,' or 'toma,' of Lima. In part, the protesters' rage is directed at Boluarte who, they believe, did not stand up sufficiently for Castillo during the December crisis and, most importantly,

Continued on page 2

TODAY'S NEWS

ECONOMIC

Colombia, Venezuela to Boost Protections for Investments

The Colombian and Venezuelan governments have agreed to strengthen investment protections following talks by representatives of the two countries.

Page 2

BUSINESS

China's CATL to Help Bolivia Develop Lithium

Chinese battery giant CATL is among the members of a consortium that will help Bolivia expand its lithium industry. Officials made the announcement at an event Friday in La Paz.

Page 3

POLITICAL

Brazil's Lula Fires Army Chief Following Riot

Brazilian President Luiz Inácio Lula da Silva on Saturday fired Gen. Júlio César de Arruda, the head of the country's army, following the Jan. 8 riot in Brasília by right-wing protesters.

Page 2

Arruda // File Photo: Brazilian Government.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Brazil's Lula Fires Army Chief Following Right-Wing Riot

Brazilian President Luiz Inácio Lula da Silva on Saturday fired Gen. Júlio Cesar de Arruda, the head of the country's army, following allegations that Arruda attempted to shield some rioters who invaded the buildings housing the country's Congress and Supreme Court as well as the presidential palace, from arrest, The Guardian reported. Arruda, who became the army's chief in late December, was replaced by Gen. Tomás Miguel Ribeiro Paiva, the leader of the southeastern military command in São Paulo. Some allies of Lula suspect that Arruda is aligned with former President Jair Bolsonaro, whose supporters attacked the government buildings in Brasília on Jan. 8, causing widespread damage. Arruda is accused of blocking top Lula administration officials from ordering the arrests of insurrectionists who were camped outside of the military's headquarters the day of the riot, The Washington Post reported Jan. 14. "You are not going to arrest people here," Arruda told new Justice Minister Flávio Dino, the newspaper reported, citing two unnamed officials who were present at the time. When the administration officials arrived at the military's headquarters, they were met by tanks and three lines of armed forces personnel, The Washington Post reported. Lula did not comment on his firing of Arruda, but he met afterward with officials including Defense Minister José Múcio, the Associated Press reported. After the meeting, Múcio told reporters that the riots had caused "a fracture in the level of trust" in the highest levels of the army and that the Lula administration decided that a change was required.

ECONOMIC NEWS

Colombia, Venezuela to Bolster Protections for Investments

The Colombian and Venezuelan governments have agreed to strengthen investment protections, Bloomberg News reported Saturday. The deal follows talks between representatives of the two Andean nations to "promote joint development" and create "clear rules" for bilateral commerce and investment between the countries, Venezuelan Vice President Delcy Ro-

FEATURED Q&A / Continued from page 1

did not stop the security forces' use of lethal weapons during the December protests; the protesters denounce Boluarte as an 'assassin.' Accordingly, Boluarte's resignation should calm the turmoil. However, upon Boluarte's resignation, her constitutional successor would be the Congress speaker, José Williams, a retired military commander from a right-wing party—hardly more palatable to the protesters than Boluarte, whose political roots are in Peru's left and who has repeatedly called for dialogue. Probably aware of this conundrum, Williams has been supportive of Boluarte. In addition, the protesters are calling for the closing of Congress. While Peru's Congress is widely reviled, its legislators are unlikely to accede, especially given the probable ensuing chaos. The protesters are also demanding early elections. To date, the Congress has accepted the forwarding of elections only to April 2024. However, scheduling elections this coming December, as Boluarte has requested, would be helpful. Also, following Chile's 2020 example, the government could accept protesters' demand for a constituent assembly; this demand has gained considerable support in recent weeks. The fallout of the protests for Peru's economy and investment is severe; tourism is paralyzed and, amid road and airport closures, especially in the highlands where Peru's mining industry is based, commerce is wracked."

Continued on page 4

NEWS BRIEFS

Death Toll Rises to 60 in Peru Protests

The death of a man in Peru's southern Puno region brought the death toll to 60 in the country's violent protests, which have been going on since the country's Congress removed President Pedro Castillo from office last month, Deutsche Welle reported Saturday, citing newswires Agence France-Presse and EFE. The victim, a 62-year-old man, died following a clash in the city of Ilave. On Saturday, Peruvian authorities shut down the famed ruins of Machu Picchu amid the protests, the Associated Press reported. More than 400 tourists are stranded at the site.

Colombia, ELN to Resume Peace Talks Next Month in Mexico

The Colombian government and the National Liberation Army, or ELN, rebel group said on Saturday they will resume peace talks in Mexico next month, Reuters reported. A first cycle of talks took place last year in Caracas, but the bilateral cease-fire was called off after the ELN said it had not agreed to it. Both parties held an emergency meeting in Caracas and agreed to take part in a second round of negotiations on Feb. 13, with the participation of Norway, Venezuela, Cuba and Chile.

Workers at Petroecuador End Strike After Reaching Agreement on Salaries

Ecuadorean state oil company Petroecuador said on Friday that union workers ended their three-day protest in the capital, Quito, after reaching an agreement with the government over higher salaries, Reuters reported. The workers started protests on Wednesday demanding compliance with a judicial ruling that required workers' salaries to be leveled. They were also protesting administrative practices they blamed for harming crude production.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

dríguez said in a statement posted on Twitter. Colombia and Venezuelan government officials also progressed in their efforts to revise the terms of a 2012 trade agreement, Rodríguez added. "Venezuela and Colombia are moving forward in strengthening and normalizing commercial ties," Rodríguez said in the statement. The two countries re-established diplomatic relations late last year after Gustavo Petro was sworn in as Colombia's president. Earlier this month, Petro and Venezuelan President Nicolás Maduro announced that the countries would expand trade across their shared border, Bloomberg News reported. The two countries reopened cargo transportation last September across the Simón Bolívar International Bridge, a major border crossing. The opening came after seven years of closed borders and strained relations between the neighboring nations. "Venezuelans who have faced years of limited access to basic foodstuffs and items needed for survival stand to benefit the most from this bridge opening," Jennapher Lunde Seefeldt, assistant professor of government and international Affairs at Augustana University, told the Advisor in a **Q&A** published Oct. 7.

BUSINESS NEWS

China's CATL to Help Bolivia Expand Lithium Industry

Bolivia tapped a consortium including Chinese battery giant CATL to assist with the South American country's lithium expansion, after an extended bidding process involving U.S. and Russian firms, Reuters reported Friday. The partnership, announced at an event in La Paz, will see direct operations of lithium extraction from the country's Uyuni and Oruro salt flats. It will also allow the development of two lithium plants, with each producing as much as 25,000 metric tons of battery-grade lithium carbonate, the wire service reported. Bolivia's salt flats hold the world's largest lithium reserves at 21 million metric tons, according to the U.S. Geological Survey. The agreement would help bolster its industrial production to become a key supplier for batteries needed to power the global shift to electric vehicles. "Today begins the era of industrialization of Bolivian lithium," Bolivian President Luis Arce said in a statement. "Advancing innovative, energy-efficient, low carbon-emitting technologies for water recycling coupled with lithium recovery and co-product generation is crucial for the environmental sustainability of the region," Greeshma Gadikota, an assistant professor at Cornell University, told the weekly Energy Advisor in a **Q&A** published Friday.

THE DIALOGUE CONTINUES

Was This Year's 'Three Amigos' Summit in Mexico City a Success?

Q U.S. President Joe Biden, Mexican President Andrés Manuel López Obrador and Canadian Prime Minister Justin Trudeau met on Jan. 10 in Mexico City to discuss strengthening economic ties, clamping down on drug trafficking and improving legal migration pathways. The summit took place amid an ongoing dispute over Mexico's controversial energy policies, which the United States and Canada have denounced as being discriminatory. Meanwhile, shortly after the summit concluded, news emerged that Mexico and Canada won their dispute with the United States under the USMCA over its automotive industry proposal, which was deemed protectionist. What were the main goals of the summit, and what has been achieved? What challenges stand in the way of greater North American cooperation?

A Andrés Rozental, member of the Advisor board, president of Rozental & Asociados and former deputy minister of foreign affairs of Mexico: "The Mexico-U.S.-Canada Summit, as in the case with most of these events, was first and foremost an opportunity to show a degree of camaraderie among the leaders of the three countries at a time when the concept of North America as a true partnership is showing signs of decline. Three bilateral conversations, a joint meeting and a press conference were held over as many days in Mexico City, with expectations that the substantive agenda of trilateral issues would be the focus of the gathering. Much of the agenda between Mexico and the United States revolved around the migration issue, which was President Joe Biden's main political goal in getting his Mexican counterpart, Andrés Manuel López Obrador (AMLO), to accept monthly deportations of up to 30,000 Venezuelans, Haitians, Cubans and Nicaraguans who reach the United States seeking asylum, thus easing domestic political pressures on the Biden administration. The existing USMCA dispute over Mexico's energy policy was carefully omitted from the talks–at least publicly–so as not to show dissent over an issue that promises to determine whether existing U.S. and Canadian investments in Mexico's energy sector will continue to benefit from the reforms enacted during the Peña Nieto administration, or whether AMLO's hostility toward these investments will eventually drive them away. Notwithstanding trade and investment disputes, the summit did lead to agreements on cooperation in attracting Asian investment to North America, and giving Mexico an opportunity to benefit from nearshoring in the high technology sector. Finally, the objective of showing a 'good' relationship with our northern neighbor was achieved thanks to President Biden's unlimited patience with AMLO's capricious behavior."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Jan. 20 issue of the Advisor.

COPYRIGHT © 2023, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 2

Augusto Álvarez-Rodrich, daily columnist on political affairs at La República: "The protests are eroding President Dina Boluarte's stability. It is a very different type of pressure that includes sectors suffering from economic backwardness and ones that have been defrauded by old promises broken by the central government and by regional authorities that, for the most part, have been slow to execute the allocated budget and quick to steal public resources. This situation was complicated by the economic setback Peru has experienced since 2016 due to the political turbulence that began that year. This was added to the effects of the pandemic and the disastrous government of the inept, corrupt and coup-mongering ex-President Pedro Castillo. The Peruvian economy maintains great potential, but the political turbulence translates to a loss of opportunities for companies and a deterioration in the quality of life of the population, especially the poorest. The social explosion that is taking place is the price the country is paying for neglecting the most impoverished for so long. But the protest also shelters criminal groups such as drug trafficking and illegal mining rings and the remnants of the Shining Path terrorist organization, all of which received very good treatment from the Castillo government. Also involved are leftists who are hoping for a similar situation to Chile's protests, which forced the convocation of a constitutional assembly. All these groups demand the resignation of President Boluarte as a solution to the political crisis, but even if that is achieved, it would be insufficient since their complete agenda also includes Castillo's release, the closing of Congress and a constitutional assembly. At the present time, the least bad future scenario for Peru is that Boluarte continues in the presidency but with the election being moved further up so that a new Congress and president are in place before the end of this year."

Julio Carrión, associate professor of political science and international relations at the University of Delaware: "The political regime that emerged in 2000 is unraveling. A hyper-presidentialist constitution with strong parliamentary overtones in a time of weak parties could only work if political actors embrace restraint and adhere to democratic norms. A series of well-intentioned but unsound reforms have led to a further weakening of the parties, as well as the shortening of legislators' time horizons, and the oversized influence of dirty money in campaigns. Keiko Fujimori's delay in acknowledging Pedro Pablo Kuczynski's victory in 2016 and her refusal to admit defeat in 2021 deepened the erosion of democratic norms. Pedro Castillo's attempt to shut down Congress and take over the judiciary brought Peru's democracy to the brink. Then Dina Boluarte's ill-fated decision to serve out the remainder of Castillo's term ran against calls for immediate elections. She backpedaled too late, and the lethal use of force to control demonstrations in the south has ignited a massive wave of outrage that seeks her resignation to pay the political price for those deaths. Boluarte is refusing to resign. The lack of a unified leadership and platform among those who are protesting, in addition to the fact that some demands are clearly unconstitutional (for example, the shutdown of Congress), and the rejection among the larger population of the protests' most violent tactics work in favor of her survivability. Working against her is the likely continuation of protests. If Congress fails in February to ratify the call for early election in April 2024, it would create the potential for another massive uprising that forces Boluarte's resignation and the automatic call for such elections."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

LATIN AMERICA ADVISOR
is published every business day by the Inter-American Dialogue ISSN 2163-7962

Erik Brand
Publisher

Gene Kuleta
Editor

Lara Kovandova
Reporter

THE DIALOGUE

Rebecca Bill Chavez, President
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Kevin Casas-Zamora, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Courtney Guthreau, Director of Development
Peter Hakim, President Emeritus & 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
Daniela Stevens, Director, Energy, Climate Change & Extractive Industries Program
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

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.