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## FEATURED Q&A

# What Are the Most Urgent Tasks Facing Ecuador's Lasso?



Guillermo Lasso, pictured at his victory rally on Sunday night, was elected Ecuador's president. He takes office May 24. // Photo: Lasso Campaign.

**Q** Voters in Ecuador elected conservative pro-business candidate Guillermo Lasso as the country's president on Sunday. Lasso, who received more than 52 percent of the vote, defeated Andrés Arauz, a leftist economist and protégé of former President Rafael Correa. What are the most difficult tasks facing Ecuador's new president? To what extent will Lasso continue the policies of current President Lenín Moreno, and what will be the most significant changes? How difficult will it be for Lasso to get his initiatives through Ecuador's National Assembly, and what will he need to do to get support from leftist and centrist legislators?

**A** Nathalie Cely, president of the Centro de Competitividad in Quito and former Ecuadorean ambassador to the United States: "Sunday's electoral results in Ecuador came as a pleasant surprise to many as Guillermo Lasso managed to revert the almost 13 percent disadvantage with which he started the second electoral round. Additionally, Lasso won in 17 of the 24 provinces after winning only two in the first round and by a small margin of votes. Lasso's first and most important task will be to unify a country that, as the electoral results show, is deeply divided along partisan lines. At first view, this challenge would seem easier than many expected as presidential challenger Andrés Arauz and former President Correa have already conceded and congratulated Lasso. Correísta leaders' concessions diminish any short-term risks of political instability that many predicted could accompany a Lasso victory. On the economic front, Lasso's main challenges

Continued on page 2

## TODAY'S NEWS

### POLITICAL

## St. Vincent Officials Intensify Evacuation Orders as Volcano Erupts

Officials on the Caribbean island of St. Vincent intensified evacuation warnings as the La Soufrière volcano spewed a huge amount of ash and hot gas.

Page 2

### BUSINESS

## Chilean Gov't Will Oppose Mining Royalties Bill: Minister

The Piñera administration will oppose legislation that calls for increasing royalties on mining companies, said Mining Minister Juan Carlos Jobet.

Page 3

### POLITICAL

## Peru's Fujimori Appears Headed to Second Round

In Peru's presidential election, leftist candidate Pedro Castillo consolidated his lead, while right-wing former legislator Keiko Fujimori appeared to be headed to the runoff.

Page 2



Fujimori // File Photo: Facebook Page of Keiko Fujimori.

## POLITICAL NEWS

## Castillo Consolidates Lead, Fujimori in Second Place in Peru

With 95 percent of the ballots counted, Peruvian presidential candidate Keiko Fujimori has emerged as the second-highest vote-getter in Sunday's election, virtually securing a spot in the runoff scheduled for June 6, according to official results, *El Comercio* reported today. Leftist candidate Pedro Castillo consolidated his surprising lead, with 19.104 percent of the vote, while Fujimori reached 13.345 percent, ahead of far-right candidate Rafael López Aliaga and economist Hernando de Soto, who were separated by a razor-thin 11.671 percent to 11.645 percent, respectively, according to the elections authority. Castillo is a radical leftist and union leader, whose main proposals include writing a new constitution, nationalizing strategic sectors including mining and oil and gas, and strengthening the national pension system to eventually eliminate the private pension fund system, Goldman Sachs said in a note on Monday. Fujimori, who was the runner-up in the 2011 and 2016 elections,

is a right-wing former legislator and first lady, and the daughter of imprisoned ex-President Alberto Fujimori. Keiko Fujimori was jailed herself in 2018 during an investigation into corruption allegations against her. She has denied wrongdoing. "This is the vote of a country tired, depressed, frustrated and also fed up," Fernando Tuesta, a Peruvian political analyst, said in a statement on Monday, *The New York Times* reported.

## St. Vincent Volcano Spews Huge Amount of Ash, Hot Gas

The La Soufrière volcano on the Eastern Caribbean island of St. Vincent spewed a huge amount of ash and hot gas Monday morning in the volcano's largest eruption yet since it began erupting late last week, the Associated Press reported. The explosion intensified warnings from officials that anyone in the vicinity of the volcano must evacuate. "It's destroying everything in its path," Erousilla Joseph, director of the University of the West Indies' Seismic Research Center, told the wire service. "Anybody who would have not heeded the evacuation, they need to get out immediately." The volcanic

## NEWS BRIEFS

## Ecuador's Lasso Rules Out Hiking Value-Added Tax

Ecuadorian President-elect Guillermo Lasso said Monday that he would not raise the country's value-added tax, though he said he still planned to eliminate the country's deficit during his four-year term, Reuters reported. Lasso, a conservative former banker who was elected on Sunday, told reporters that he would also propose a new risk-sharing model for future oil agreements. He added that he would respect service contracts that the country currently has with private companies.

## Mexico, Guatemala, Honduras Send Troops to Borders to Halt Migrants

The administration of U.S. President Joe Biden has reached an agreement with Mexico, Honduras and Guatemala for the three Latin American countries to increase security at their borders in an effort to reduce the number of migrants headed toward the United States, the Associated Press reported Monday. White House Press Secretary Jen Psaki said Mexico will maintain a deployment of about 10,000 troops at its borders, while Guatemala and Honduras have sent 1,500 and 7,000 police and military personnel, respectively, to their borders.

## Colombia Could Cut Key Interest if Necessary: Central Bank Chief

Colombia could further lower its benchmark interest rate but only if truly necessary, the head of the central bank's board said on Monday, Reuters reported. Policymakers held the rate at a historic low of 1.75 percent after cutting it by 250 basis points last year. "That space [to cut interest rates more] effectively exists but it's a space we could only use if we were sure it was indispensable," said board chief Leonardo Villar. However, room for expansive monetary policy is limited given international conditions.

## FEATURED Q&amp;A / Continued from page 1

will be achieving growth rates that will make the country's debt levels sustainable, implementing countercyclical policies to boost recovery after the pandemic and boosting private investment to close the fiscal deficit to manageable levels. Lasso will likely continue President Moreno's international trade and fiscal consolidation policies, but the main factor determining economic recovery will be the pace at which the new government achieves widespread vaccination so that the economy can open and regain normal levels of consumption and investment. Lasso will undoubtedly have the political will to implement these measures as they fit with his ideological profile, but he will have an uphill battle in the legislature. In the National

Assembly, UNES (correísmo) has the single largest minority, followed by left-leaning Indigenous party Pachakutik and the social democratic Izquierda Democrática. Lasso's backers represent the fourth-largest political force in the legislature, holding just 31 of the 137 seats between CREO and the Social Christian Party (PSC). Izquierda Democrática and Pachakutik have formed an alliance to represent the center-left, and their votes will be needed for any reform. Because of this, the Lasso administration will find it tough to implement unpopular economic policies and will likely have to negotiate and move toward the center of the political spectrum to implement pragmatic and politically viable policies."

Continued on page 4

eruptions have so far not led to any immediate reports of deaths or injuries. However, officials on the Caribbean island were struggling to respond to the latest eruption. Some 16,000 people who live near the volcano were evacuated under orders of the government on Thursday, but some have refused to leave and have been left behind. Richard Robertson, of the Seismic Research Center, told local NBC Radio that the old and new dome of the volcano have been destroyed and that a new crater was created on the volcano. "Anything that was there, man, animal, anything ... they are gone," said Robertson. "And it's a terrible thing to say it." The volcano's latest eruption is similar to one that last occurred in 1902 and killed approximately 1,600 people, the AP reported. The volcano's last eruption occurred in 1979. Ash from the eruptions has fallen as far away as Barbados. "It is over time for you to leave," said St. Vincent's prime minister, Ralph Gonsalves.

## BUSINESS NEWS

### Chilean Government Will Oppose Mining Royalty Bill: Minister

The administration of center-right Chilean President Sebastián Piñera will oppose legislation that calls for increasing royalties on copper and lithium mining companies, saying the measure is "unconstitutional," said Mining Minister Juan Carlos Jobet, Reuters reported. "Our government will not support that idea," Jobet said at a conference. He said the legislation is unconstitutional because the country's constitution gives the executive branch the power to originate new taxes. "We believe the best way to increase government revenue from mining is to increase production and improve competitiveness," he added. The bill, which leftist lawmakers have proposed, seeks to raise money they say is needed to pay for social programs amid the Covid-19 pandemic. The measure has gained support this year as copper prices have risen. Jobet said at the online conference that the Piñera administration would introduce a parallel national mining policy, which he said

## THE DIALOGUE CONTINUES

### Is a Proposed Rail Merger Good for North America?

**Q** A merger agreement announced in March between Canadian Pacific Railway and Kansas City Southern, if approved, would create the first freight rail network connecting Canada, the United States and Mexico. The \$25 billion merger could open up opportunities for increased trade between the three countries, the companies said. How likely are U.S. regulators to approve the merger, given concerns over antitrust issues related to similar agreements in the past? In what ways would the combined railway increase and facilitate commerce and trade across North America, and which sectors would benefit the most from it? What implications could the new rail network have on other aspects of the countries' transportation sectors, particularly the trucking industry?

**A** Mike Steenhoek, executive director of the Soy Transportation Coalition: "I have reached out to a number of prominent agricultural rail shippers to solicit their initial perspective on the proposed merger. At this moment, it is too early to make a definitive conclusion on whether the merger, if approved, will primarily benefit shareholders, customers or both. Whenever a merger or acquisition among large providers of a particular service occurs—including within the railroad industry—it is healthy to have some degree of concern given how mergers and acquisitions in the past have indeed resulted in a reduction of rail service access or increased rates among agricultural shippers. In addition, a particular merger or acquisition often inspires and motivates additional mergers and acquisitions. Will this merger, if

approved, result in increased energy for further consolidation among Class I railroads? I do not know of many agricultural shippers who would welcome such a prospect. It obviously remains to be seen whether this will occur. Among current Canadian Pacific customers, the proposed merger could very well result in greater access to new markets in the southern United States and Mexico. Many of these current Canadian Pacific customers currently only have access to export terminals in the Pacific Northwest. Similarly, current Kansas City Southern customers may enjoy new access to markets served by the Canadian Pacific network. Whenever a merger or acquisition is proposed, red flags are particularly raised among customers when the two companies have a similar geographical footprint. This does not guarantee that significant portions of service will be disbanded or eliminated, but it often portends that. These two railroads currently have very little service overlap. This provides some degree of encouragement among customers—including agricultural shippers—that this particular proposed merger may result in increased service options. If approved, the new Canadian Pacific/Kansas City Southern railroad will still rank as the smallest Class I railroad in terms of operating revenue. Mergers and acquisitions usually elicit more concern when the two companies currently possess a higher percentage of the overall market share."

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**EDITOR'S NOTE:** The comment above is a continuation of the Q&A published in the April 1 issue of the Advisor.

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would be the product of consultation with more than 3,000 stakeholders over two years. Meantime, Iván Arriagada, the CEO of Antofagasta,

said Chile should focus on a broad tax reform instead of focusing just on the mining industry, Bloomberg News reported.

## FEATURED Q&amp;A / Continued from page 2

**A** **César Coronel Jones, founding partner at Coronel & Pérez in Guayaquil, Ecuador:** “Ecuador’s next president faces several tasks. First is the implementation of a quick and efficient vaccination plan to combat the Covid-19 pandemic. Second is improving the physical security of citizens, who are threatened by a wave of violent crime linked to drug trafficking. Third, he needs to restore confidence in public institutions and fight corruption radically, effectively and systematically. Fourth, the new government must earn the trust of local and foreign investors with respect to the rule of law and the protection of property and contractual rights. It is necessary for Ecuador to achieve a level of stability in public policies so as to attract investment. Fifth, the incoming government needs to put public finances in order, balancing the budget and making the economy more flexible and competitive by making labor regulations more flexible and eliminating other inefficiencies. The Moreno administration has been respectful of freedom of expression and judicial independence, and this will continue. However, apart from the success in renegotiating the public debt, there has been almost no progress with respect to health, public safety and labor policy. Lasso has pledged to change this and be more efficient. Judging from his management style when he has held public office before, it seems likely that this will occur. The severity of the health and economic crises is also an opportunity. If the next president adopts a pragmatic approach and begins to generate tangible results, it will be difficult for legislators from the left and center to block initiatives that are perceived as solutions for the great majorities. Lasso could earn the support of those in the Indigenous movements and the moderate left who agree on respect for pluralism and reject the authoritarian and violent style of the Correa era. Even Andrés Arauz and the legislators of his bloc have given an encouraging signal by

recognizing Lasso’s triumph and indicating that they will only oppose him if he governs in favor of privileged groups. The first 100 days will be decisive.”

**A** **Daniela Chacón Arias, executive director at Fundación TANDEM and former Quito vice mayor and city council member:** “In the first round, Lasso obtained approximately 20 percent of the vote, but in the runoff he was able to attract other voters due to a more inclusive campaign and the fear that the return of Rafael Correa represents for many Ecuadoreans. The numbers show that Lasso received support from progressive voters and Indigenous populations who are wary of the sincerity of a more inclusive agenda from a conservative candidate. Therefore, Lasso’s main challenge will be to show with actions his commitment to an inclusive government that will allow him to reach consensus with a progressive majority in the National Assembly. This could mean profound changes in his political and social views, such as giving space to more moderate economic ideas that consider the important role a strong state plays in combating inequalities and giving space in his cabinet to people from diverse backgrounds and ideas to ensure representation. Lasso’s other main challenge will be to vaccinate the population against Covid-19 in record time and promote the economic recovery that the country needs. The role that Correa’s group of legislators will play is also relevant. On Sunday, Arauz and other important figures made democratic speeches, accepting defeat and learning from it. They also have a responsibility to promote governance and reach consensus for the country. I want to believe that the results of the election are an opportunity for Ecuador to break free from the Correa vs. anti-Correa political narrative that has dominated the last 14 years and give space to a political renovation in the near future.”

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