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FEATURED Q&A

What Does Castillo's Cabinet Mean for Peru's Direction?



Peru's new president, Pedro Castillo (R), swore in his prime minister, Guido Bellido (L), on July 29. // Photo: Peruvian Government.

Q **New Peruvian President Pedro Castillo's selection on July 29 of far-leftist Guido Bellido as his prime minister dashed the hopes of some centrists that Castillo would name a moderate to lead his cabinet. The next day, Castillo named center-leftist Pedro Francke, a former World Bank economist, as his finance minister. What do Castillo's selections of Bellido and Francke, and other cabinet members, say about how the new president intends to govern and his priorities in office? What are the main actions Bellido and Francke are expected to take? To what extent will Castillo's cabinet selections make it easier, or more difficult, for him to work with Peru's Congress?**

A **Julio Carrión, associate professor and associate chair of the Department of Political Science and International Relations at the University of Delaware:** "President Castillo's cabinet is split on a range of issues. Ministers coming from his party have been questioned for their radicalism and thin resumes and tend to be socially conservative. Ministers representing Juntos por el Perú and Frente Amplio, two left-wing parties supportive of Castillo in the runoff, defend women's and LGBTQ rights. Prime Minister Guido Bellido is on record as holding homophobic and misogynistic views. While Bellido now disavows them, he argues that Peruvians are not ready for 'shocking' cultural change. The cabinet also harbors serious dissent over the issue of constitutional change and economic policy. Bellido and Vladimir Cerrón, the ruling party's general secretary, want to collect signatures to convoke a constitutional referendum, a legally dubious move. Finance

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TODAY'S NEWS

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Brazil's Congress OKs Future Vaccine Patent Suspensions

Brazil's Senate approved a measure, which the lower chamber previously passed, to temporarily suspend some patents on vaccines in emergency situations. President Jair Bolsonaro has criticized the legislation.

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BUSINESS

Uber to Allow Taxis in Colombia to Access Platform

Uber Technologies announced that it would allow taxi drivers in Colombia to access its platform through a partnership with Colombia-based TaxExpress.

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POLITICAL

El Salvador Eyes Constitutional Reform Proposal

El Salvador's government has finalized a plan for constitutional reforms that would include lengthening the president's term, Vice President Félix Ulloa announced.

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Ulloa // File Photo: Salvadoran Government.

POLITICAL NEWS

El Salvador Eyes Constitutional Reform Proposal

El Salvador's government has finalized a draft proposal for constitutional changes that include extending the presidential term from five to six years as well as nonconsecutive presidential re-election, Vice President Félix Ulloa announced Wednesday in an interview on local radio, Bloomberg News reported. The proposal includes 215 changes to the constitution and is expected to be presented in full to the public and to the diplomatic corps next week. Ulloa said President Nayib Bukele is set to review the reforms in September before they are submitted to the Legislative Assembly. Among the suggested reforms, the president could be re-elected after one term out of office versus two terms currently, while legislators and mayors would be allowed to run for immediate re-election and serve a maximum of three, three-year terms, according to the report. Moreover, presidential and congressional elections would be held at the same time, instead of having a midterm legislative vote, and the attorney general's term would be extended from three to six years. Other changes include the creation of a new electoral authority as well as a new constitutional court to replace the current high court in what Ulloa said was an effort to boost efficiency. The vice president's team said earlier this year that it would propose the country hold a referendum to vote on the suggested reforms, El Diario de Hoy reported.

Brazil's Congress OKs Future Vaccine Patent Suspensions

Brazil's Congress has approved legislation that would allow the country's president to temporarily break patents for vaccines and their ingredients in cases of emergency, such as the Covid-19 pandemic, Reuters reported.

The country's Senate gave its approval to the measure, which the lower house previously passed. The bill now goes to President Jair Bolsonaro, who has previously criticized the proposal. Bolsonaro has said breaking patents on vaccines could hurt the country's relationships with vaccine manufacturers, and he has said that even if the government breaks patents on vaccines, Brazil lacks the technology to produce vaccines on its own. The Chamber of Deputies had removed some provisions of the legislation, including ones that would have required the holders of patents to share ingredients necessary to produce vaccines as well as information on their production if they do not comply with the law. The Senate restored those provisions to the bill, Reuters reported. In May, the administration of U.S. President Joe Biden announced its support for suspending intellectual property protections on Covid-19 vaccines. A proposal at the World Trade Organization would suspend some of the protections. "Waiving [intellectual property] rights is one step in the right direction, but it might be too late for it to have a meaningful effect," Núria Homedes, executive director of Salud y Fármacos, told the Advisor in a [Q&A](#) published May 19. In the same issue, Rolf Hoenger, area head for Latin America at Roche Pharma, said waiving patent protections would be counterproductive. "Waiving patent protections for difficult-to-make pharmaceutical products in a scenario of strained supply chains can lead to a disrupted, rather than increased, supply of safe products," he said.

ECONOMIC NEWS

Mexico May Use IMF Reserves to Pay Down Debt: AMLO

Mexico may use recently approved reserves from the International Monetary Fund to pay down debt, President Andrés Manuel López Obrador said Wednesday at his daily press conference, Bloomberg News reported. Mexico should receive some \$12 billion from

NEWS BRIEFS

Salazar Confirmed as U.S. Ambassador to Mexico

The U.S. Senate on Wednesday unanimously voted to confirm former U.S. Senator (D-Colo.) and Interior Secretary Ken Salazar as the United States' new ambassador to Mexico, The Denver Post reported. Salazar is the first of President Joe Biden's ambassador nominees to be confirmed. Salazar, 66, served as interior secretary under then-President Barack Obama and was a senator before that. The United States and Mexico have been working together in a bid to handle a large influx of migrants passing through the U.S.-Mexico border.

Panama, Colombia Agree to Receive 650 Migrants Per Day

The governments of Panama and Colombia agreed Wednesday to receive as many as 650 migrants per day, an agreement that came as thousands of migrants are stranded at the countries' border, waiting to continue heading toward the United States, Reuters reported. The migrants, mostly from Haiti, are stranded in the Colombian resort town of Necoclí.

Argentina Planning to Open Borders With Chile, Uruguay

Argentina's government is planning to reopen its borders with Chile and Uruguay starting Sept. 6, Florencia Carignano, the director of Argentina's Immigration Department, said in a statement, the Buenos Aires Times reported Wednesday. She added that in the next several weeks the government might increase the daily cap of 1,700 passengers allowed to enter the country through the Ezeiza International Airport. However, she warned that the highly contagious Delta variant of the novel coronavirus "has shown us that it might all be scrapped." [Editor's note: See related [Q&A](#) in the Aug. 6 issue of the Advisor.]

the IMF as part of a \$650 billion allocation of Special Drawing Rights that the lender's board approved on Aug. 2. The amount was the largest-ever allocation of Special Drawing Rights in the IMF's history and "will particularly help our most vulnerable countries struggling to cope with the impact of the Covid-19 crisis," IMF Managing Director Kristalina Georgieva said at the time. Bank of Mexico board member Gerardo Esquivel rejected López Obrador's proposal to use the allocation to pay down debt, Reuters reported. "In Mexico, by law, international reserve assets cannot be used to pay debt," he said in a tweet.

BUSINESS NEWS

Uber to Allow Taxis in Colombia to Access Platform

Uber Technologies will allow taxi drivers in Colombia to access its platform, the company said Wednesday, a similar plan to what it has already rolled out in other countries in Latin America and Europe since last year, Reuters reported. The ride-hailing app launched Uber Taxi in alliance with TaxExpress. The service, to begin "in the coming months," will initially be offered in Bogotá and Cali, according to the company's website. Users will be able to choose on the app whether to hail a regular taxi or an Uber-affiliated driver. The company has faced serious challenges in Colombia over allegations of unfair competition and amid uncertain regulation for ride-hailing apps. While authorities in 2019 ordered Uber to cease operations, a decision that a court overturned last year, other firms such as China's Didi and Spain's Cabify operate in the country. However, some drivers have faced fines and other sanctions, as well as hostility from taxi drivers, Reuters reported. "Having taxis on the platform is a show of reconciliation ... it offers different alternatives for users," Marcela Torres, Uber's general manager in Colombia, said during a virtual press conference, the wire service reported.

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Minister Pedro Francke and Justice Minister Aníbal Torres endorse Castillo's original position to work with Congress on any constitutional reform. While Bellido talks of creating new state-owned enterprises, Francke stresses the need to close the fiscal deficit. These tensions result in a perception that Castillo is a weak president who is not quite in charge of his own government. To confront such perceptions, Castillo has concluded that open conflict with Congress is his best strategy (especially when some right-wing forces are already strategizing his removal from the presidency). Castillo hopes Congress will reject his cabinet and deny Bellido a vote of confidence. If Congress puts forward a vote of no confidence, it will no doubt be in a weaker position, since any future no-confidence vote will bring its own dissolution. This is a risky strategy that could backfire on Castillo. If Congress votes to confirm, it preserves its strength and Castillo ends up with a problematic cabinet. If Congress rejects the cabinet, the perception of Castillo's weakness as president could become reality as an emboldened Congress may emerge."

A Mariana Zepeda, Latin America analyst at FrontierView: "Pedro Castillo's term is off to a chaotic start; his controversial cabinet picks, particularly Guido Bellido, a presumed Shining Path apologist and admirer of the Cuba regime, sent shockwaves through markets, toppling Peruvian stocks and pushing the sol to near-record lows. Pedro Francke's nomination as finance minister is a positive signal, particularly now that Julio Velarde, Peru's longstanding central bank head, has agreed to stay on. Castillo's other cabinet selections will weigh on his political future. These nominations have already lost him the support of key actors, including Partido Morado, even though Castillo will need the center-left to pass any policies in an opposition-dominated Congress. Some think Castillo has ulterior motives in nomi-

nating such contentious far-left candidates: Congress will need to approve Castillo's cabinet, but two 'no' votes could open a path for Castillo to dissolve what is likely to be an antagonistic Congress, potentially facilitating conditions for him to pursue rewriting the Constitution through a constituent assembly—a goal he barely budged on, even as he seemed to moderate his stance ahead of the June runoffs. If that is the case, Castillo is playing a dangerous game; key actors (including the business community, media and the armed forces) are not on his side, and his popular support is limited. Recent polls suggest he is starting his presidency with a modest 39 percent approval rating. This could put his political future at risk. As we have seen in recent years, the threshold for impeaching a president in Peru is low. Either way, these developments further heighten tensions between the legislature and the president. We can expect significant political turmoil during Castillo's initial months in office, with risks of a governability crisis rising considerably if Castillo stays on this path."

A Katrina R. Heimark, assistant professor and researcher at the University of Lima: "During the 2021 presidential campaign, Pedro Castillo faced enormous opposition from some of the country's most powerful political and economic actors. Rather than perform goodwill gestures toward the centrist and center-left political leaders who helped Castillo moderate his image in the wake of the first round of the election, which arguably contributed to his victory in the runoff, Castillo's cabinet nominations—particularly that of Guido Bellido as prime minister—are a defiant message that this is a strongly leftist administration. The Peruvian press has been largely alarmist regarding Bellido's nomination as a sign that Castillo is controlled by extremist elements within Perú Libre. However, Pedro Francke's nomination as finance minister is a sign that Castillo is aware of the importance of moderation.

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Francke is likely to maintain prior macro-economic policies and therefore promote economic stability. But he also aims to reduce inequality through increased state investment in social programs, health care and education. Unfortunately, the makeup of Castillo's cabinet reflects his lack of political experience—a more moderate nomination for the premiership may have fostered some goodwill for his administration, whose principal aims are to tackle the rampant social and economic inequality that plagues Peru. Bellido's nomination surely portends further political instability, as Congress must formally approve his cabinet, which is unlikely. A lack of political allies could prove fatal for Castillo, who faces an opposition Congress that may be set on impeachment.”

A **Jose E. Gonzales, managing partner at GCG Advisors:** “Pedro Castillo's proclamation as Peru's president took six weeks from election day on June 6 due to unproven ‘fraud’ allegations, which forced a political transition of just eight days. Due to the intense pressure of those weeks, Castillo was quite shy in taking any initiatives that assumed he won the presidency. That, his obvious inexperience in matters of state and his now-evident reservedness made the appointment of his cabinet a convoluted two-day process. Seventy-one percent of Castillo's ministers were born in Peru's regions, not Lima. That compares to an average of 26 percent in the previous seven administrations. Guido Bellido was born and educated in Cuzco, developing all his professional and political career there. A founding member of Perú Libre, Bellido is allegedly who proposed Castillo as the party's ideal candidate for president. Francke's appointment was a concession to an alliance with Juntos por el Perú and the liberal left, which has three ministers in the cabinet. Bellido should focus on President Castillo's proposed constitutional assembly, while Francke should keep the economy on its 30-year stability track, implementing so-

cial policies within broader fiscal spending. While Francke should have a fluid relationship with Congress, Bellido, unless he moderates substantially, might be a burden for the president if he is confirmed.”

A **Francisco Durand, professor of political science at the Catholic University of Peru:** “Prime Minister Bellido and Finance Minister Francke are the leading figures of a cabinet that expresses a balance between the main forces of the Castillo coalition. Its composition shows the importance of Perú Libre, the party led by Vladimir Cerrón, a power factor compensated by Castillo's own appointments and those of Juntos por el Perú. Thus, the government's first priority is to keep together this rather fragile alliance and demonstrate that ‘new faces’ who were before marginalized from power are now in charge. The cabinet needs congressional approval. More than policy initiatives, today the main issue is whether various conservative parliamentary forces in Congress will provide the Bellido cabinet with a confidence vote. This will be a major political test for those forces, which must decide whether to give the president and the cabinet some initial breathing space or start an early confrontation that will eventually lead to an impeachment process. Most of the corporate media and the elite social media associated with these forces see Castillo as unfit for the presidency. So the question is whether Castillo can govern and for how long. Politics prevails over policies, except in the economic arena. Both Bellido and Francke had a first round of talks with Chinese investors and Roque Benavides, a mining tycoon closely associated with multinational corporations. The talks complement Francke's goals to stabilize the markets and control capital flight and currency instability. Another two important economic goals are to increase tax collection and to negotiate with mining investors, hoping to extract more revenues in order to finance social goals now that mineral prices are on the rise.”

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