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FEATURED Q&A

What Must Peru's New President Do to Bring Stability?



Dina Boluarte was sworn in as Peru's first female president on Wednesday after her predecessor, Pedro Castillo, was ousted following his attempt to dissolve Congress and rule by decree. // Photo: Peruvian Government.

Q Peru's Congress voted overwhelmingly on Wednesday to oust President Pedro Castillo, who had already been facing impeachment, after he attempted to dissolve Congress and take unilateral control of the government. Vice President Dina Boluarte was sworn in as Peru's first female president, and Castillo ended the tumultuous day under arrest. What are the biggest challenges now facing Boluarte, Peru's sixth president in less than five years? What long-term reforms does Peru need in order to stabilize its government, and will Boluarte and the country's Congress be able to put them into place? What has Peru's chaotic political situation meant for the country's economy and businesses?

A Mercedes Aráoz, senior professor of finance at the Universidad del Pacífico and former vice president of Peru: "After the few hours of political crisis caused by Castillo's attempt to dissolve Congress and his announcement that he would take over the judiciary, the Constitutional Tribunal and the prosecutor's office, new President Boluarte asked Congress for a political truce; she will need it in the coming months. Her new cabinet will be crucial. It should be a mix of political allies from Congress, though is not clear who they are, and technocrats who can recover government institutions tainted by corruption and mismanagement during Castillo's time in office. Boluarte's cabinet chief should be a very good strategic politician who can make coalitions and agreements on political reforms as the country faces a difficult period of economic distress. The selection of the finance minister is also important to give the right signals to the market. Boluarte promised

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TODAY'S NEWS

POLITICAL

Mexico, Peru in Talks on Castillo's Asylum Request

Former Peruvian President Pedro Castillo has requested asylum from Mexico, and the two governments are in talks about the request, said Mexico's foreign minister.

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ECONOMIC

European Union, Chile Reach Trade Agreement

The European Union and Chile reached a trade deal that will improve Europe's access to key minerals.

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POLITICAL

Lula's Team Sues Bolsonaro Arguing Vote Interference

Brazilian President-elect Luiz Inácio Lula da Silva's election team has filed two lawsuits against outgoing President Jair Bolsonaro, his running mate and two of Bolsonaro's sons, alleging interference with the country's election.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Mexico, Peru in Talks on Castillo's Request for Asylum

The Mexican and Peruvian governments are in talks over former Peruvian President Pedro Castillo's request for asylum in Mexico, the country's foreign minister said Thursday in a tweet, Reuters reported. Mexico's ambassador to Lima met with Castillo in the location where he is being detained following his ouster on Wednesday by Peru's Congress, Mexican Foreign Minister Marcelo Ebrard added. Peru's Congress removed Castillo from office on Wednesday after he attempted to dissolve the legislative body and take unilateral control of the government to rule by decree. In Castillo's asylum request, which Ebrard shared, the former Peruvian president's lawyer said Castillo was "at grave risk" in Peru, adding that he had been subject to "unfounded persecution," Reuters reported. Castillo's lawyer, Victor Gilbert Pérez, added that he had been unable to see the former president. Authorities in Peru "have acted with political motivation in respect to [Castillo] to such an extent that they intend to prosecute him for mere announcements of will or intention that do not constitute any criminal offense," Pérez said in the letter, Reuters reported. Castillo was arrested Wednesday on charges of "rebellion and conspiracy." He also faces separate accusations of corruption, which he denies. On Thursday, Mexican President Andrés Manuel López Obrador said Castillo had called him to say he was headed to the Mexican Embassy in Lima in order to request asylum. However, he was arrested before arriving there, López Obrador added. Castillo appeared in court on Thursday and gave simple yes or no answers as his attorney argued that the charges against him were inflated and that he had been arbitrarily detained, the Associated Press reported. Judge Juan Carlos Checkley ordered that the former president be held through Dec. 13, Bloomberg News reported. If Castillo is convicted on the rebellion charge, he could face up to 20 years in prison. The

seriousness of the charges against him "augur a grave sanction," Checkley said in a ruling.

Lula's Team Sues Bolsonaro Claiming Election Interference

Brazilian President-elect Luiz Inácio Lula da Silva's election team has filed two lawsuits against outgoing President Jair Bolsonaro, his running mate and two of his sons, alleging abuse of power over their conduct during the country's presidential campaign, Reuters reported Thursday. In one of the lawsuits, Lula's team accuses Bolsonaro, his running mate Walter Braga Neto and Bolsonaro's sons Flávio and Eduardo—both members of Congress—of interfering with the election by repeatedly attacking it and also for allegedly trying to build support for a military coup, the wire service reported. The second lawsuit accuses the current president of abuse of power for allegedly granting financial benefits illegally to voters with the "clear intention of gaining votes and, therefore, influencing the choice of Brazilian voters, so as to harm the smoothness of the election." The two lawsuits seek to ban Bolsonaro, his sons and Braga Neto from holding political office in the future. "Bolsonaro has maintained a narrative that challenges the legitimacy of the elections, so far it appears that he will give way to the transfer of power and possibly act as a critical and disruptive opposition," Elena Lazarou, an associate fellow at Chatham House, told the Advisor in a [Q&A](#) published Tuesday.

ECONOMIC NEWS

European Union, Chile Reach Trade Agreement

The European Union reached a trade deal today with Chile that will improve Europe's access to key minerals, including lithium and copper, to

NEWS BRIEFS

Venezuela's Talks With Opposition Unlikely to Resume This Year: Official

The Venezuelan government's talks with the country's opposition are unlikely to resume before the end of the year, a negotiator for the government told Reuters Thursday. "Everything seems to indicate that this year we will not return [to Mexico]" where the talks are being held, said the negotiator, Nicolás Maduro Guerra, a son of President Nicolás Maduro. The two sides met in late November and agreed to create a humanitarian fund to be administered by the United Nations. [Editor's note: See related [Q&A](#) in Monday's Advisor.]

Argentina to Raise Floor for Income Tax: Economy Minister

Argentina's government will raise the floor for income tax in January, Economy Minister Sergio Massa said on Thursday, Reuters reported. The announcement comes amid labor union demands to ease the burden on workers. "With this tax relief, in 2023, no worker who earns less than 404,062 pesos (about \$2,378 monthly) will pay the tax," Massa said in a tweet. The minister has not disclosed the fiscal cost of the initiative, which is set to benefit some 312,864 workers.

Anglo American Reduces Output Targets Over Lower Grades in Chile

Global miner Anglo American on Friday reduced its copper production estimates and output targets for 2023 over deteriorating ore grades at its Chilean mines, Reuters reported. The London-listed miner's expectations for copper mine production next year stand at 840,000 metric tons with an output of 930,000 metric tons, down from prior estimates of 910,000 and 1.02 million metric tons, respectively.

its green transition as it shifts away from Russian gas, the Financial Times reported. More than 60 percent of E.U. lithium imports are from Chile, the world's largest copper producer. Chile will drop tariffs on all imports other than sugar and will facilitate European investments under the agreement. The European Union, in return, will grant Chile more favorable access for its exports, especially food and professional services. "The landmark agreement is of key geopolitical importance: with the new Advanced Framework Agreement, the E.U. and Chile take their partnership to the next level to strengthen political dialogue, deepen cooperation and foster trade and investment opportunities," the European Commission said in a statement. The partnership, which also includes cooperation on climate change, human rights and gender equality, is part of the European Union's initiative to forge new alliances amid Russia's invasion of Ukraine and growing concerns over its economic reliance on China, Reuters reported. E.U. demands for similar commitments have stalled negotiations with the South American trading bloc Mercosur, the Financial Times reported.

BUSINESS NEWS

Brazil's B3 Plans as Much as \$526 Million in Spending in 2023

Brazilian financial exchange operator B3 said Thursday that it plans to spend between 2.435 billion reais (\$462 million) and 2.775 billion (\$526 million) next year, Reuters reported, citing a financial filing. The bourse's spending includes business disbursements and initiatives of between 595 million and 665 million reais in addition to core business expenditures of between 180 million and 230 million reais, according to the filing. The new planned expenditures mark an increase from this year's business disbursements and initiatives but a decline in core capital expenditures. On Thursday, B3 announced that it would buy back as many as 250 million shares.

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to stay in office until July 2026, but many people want general elections. She has to explain that general elections can be conducted only after some minimal reforms are carried out, and she needs to cooperate with Congress to ensure political stability. Some reforms are related to the balance among the branches of government, improvement of political representation through parties, having a Senate and the possibility of legislative re-election. Others should include a review of the decentralization process and the reduction of informality in all aspects of Peruvians' life so that more people feel included and satisfied with the government's provision of goods and services."

A Cynthia McClintock, professor of political science and international affairs at The George Washington University:

"While stability is important, good governance is even more important. After Castillo's inexplicable attempt at an autogolpe (coup by the president's own hand), virtually no tears will be shed for him. Castillo's repeated failures to appoint competent ministers were very harmful; for example, in the agricultural sector, vital fertilizers went unpurchased, and in the mining sector, conflicts between major mines and nearby communities went unresolved, paralyzing production. The longer that Castillo was in power, the more problematic institutional degradation was likely to have been. However, of Peru's five presidents from the 2016 inauguration until Wednesday, only Castillo had such a negative impact; one president was in power less than a week, two had mixed records, and one (the 2020-2021 interim president, Francisco Sagasti) earned high marks. Boluarte faces difficult challenges. Although she parted almost a year ago from her extreme-left party and has now clearly repudiated Castillo, many Peruvians want an entirely fresh start—new elections for both Peru's president and Congress. However, Boluarte is Peru's first female president, and,

among Peruvians, women are perceived to have an honesty advantage. Amid the severe current uncertainty, major structural reforms are unlikely, but two electoral reforms are possible. To prevent accidental outcomes in elections with numerous candidates—Castillo reached the 2021 runoff with only 19 percent of the first-round vote and prevailed due to the weakness of his rival—a provision for an additional round of voting among the top five candidates if no candidate wins 30 percent in the first round would be valuable. Also, to enable longer-term perspectives and attract higher-quality politicians, immediate re-election of legislators and sub-national authorities would be advantageous."

A Julio Carrión, associate professor of political science and international relations at the University of Delaware:

"Castillo's inexplicable move and subsequent removal shows that Peru's democracy, while fragile, is strong enough to offer a rapid institutional response to an open threat. Today's Peru is not the one of 1992, when a similar action to dissolve Congress and install an authoritarian regime was received with widespread popular and military support. Now, replicating Martín Vizcarra's experience, Dina Boluarte faces the challenge of ruling without the support of a political party in Congress. She could be as popular as Vizcarra was during his first year in office if she offers a clean and relatively functional government, something that Castillo never managed. Boluarte has control over who she appoints to the cabinet, and those selections will be revealing. But she has no control over what Congress will do. One would imagine that the recent crisis will create the conditions for a more collaborative attitude. It's clear that members of Congress highly value the need to fulfill their terms completely to 2026. That overriding interest may make it difficult to call for early elections, as many demand. A deep political reform is needed and should include a return to bicameralism,

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congressional re-election, a more balanced relationship between the legislature and the executive branch, and a new electoral law. I am skeptical this Congress will have the willingness or aptitude to manage this reform, or that Boluarte will have the political capital and vision to fight for it. Meanwhile, the economy will likely suffer in the short term because of Castillo's mismanagement, but the successful resolution of this crisis will calm investors for a while."

A **Augusto Álvarez-Rodrich, daily columnist on political affairs at La República:** "The failed coup of Pedro Castillo, one of the shortest in Latin American history, accurately summed up his accidental government as he could not even organize it well. Not even the ministers who flattered him the most supported him. Shortly before launching the coup, and when his ineptitude, corruption and authoritarianism were already evident, Castillo asked the OAS for help, and a mission made up of foreign affairs ministers was sent to Lima. The mission did not contribute to offering viable solutions to the crisis because it repeated the official discourse and hid the solid denunciations of corruption with allusions to racism. It also stated that Peru has too much freedom of expression. Castillo's coup was a political suicide that in fact was an admission of guilt for the solid accusations made by the media and the prosecution. Fortunately, the coup ended peacefully, and with the confirmation that the still fragile Peruvian institutions can withstand assaults on power, as seen in the last year and a half. This is also true for the Peruvian economy, which was affected by the reduction in private investment because of the erroneous and contradictory messages of the Castillo government, harming employment. But that can be overcome quickly if new President Dina Boluarte acknowledges that she has not received a blank check, resumes the path of growth, and launches an

electoral advance for a year from now, with reforms of previous policy. Otherwise, she will have the same fate as Castillo's failure."

A **Eileen Gavin, principal analyst for global markets and the Americas at Verisk Maplecroft:**

"Dina Boluarte is Peru's first female president, a historic moment. But like Castillo, she may become a footnote in history sooner rather than later. Though Boluarte wants to see out the current presidential term (to July 28, 2026), there will be immediate pressure for a snap general election. Boluarte—who lacks a political party or any legislative presence—will look to deflect this pressure by appointing a broad-based cabinet, drawn from across the congressional floor. This is exactly what Castillo did to survive his 16 months in office. There is no doubt that some opportunistic congressional factions would be quite happy with that arrangement—until, that is, they're not—and executive-legislative relations descend once more into institutionally corrosive brinkmanship. Without a serious and meaningful national dialogue, there is little prospect that Peru's structural crisis of democracy, which has seen the atomization of national politics and the collapse and capture of the party system by (often corrupt) special interest groups, will be resolved with a fresh general election. The notion that the local economy was 'immune' to political noise has been roundly debunked in the past 18 months. Amid weak public spending and private investment, and subdued domestic consumer sentiment, growth will continue to rest heavily on the mining sector (which accounts for approximately 12 percent of Peru's GDP and more than 60 percent of its exports). The sector itself is struggling with persistent social unrest and global price uncertainty. Assuming she survives in office, Boluarte has some way to go to rebuild Peru's tattered reputation."

LATIN AMERICA ADVISOR

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

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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

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