

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Merike Blofield
Professor of Political Science,
University of Hamburg

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
Director,
Adtalem Global Education

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
Professor of Political Economy,
Georgetown University

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

FEATURED Q&A

Would Reforming Peru's Congress Improve Stability?



Peru's Congress is considering a measure to add a chamber to the currently unicameral legislature. // File Photo: Genu5960 via Creative Commons.

Q Peru's Congress on Nov. 16 advanced a constitutional reform that proposes adding a second chamber to the unicameral legislature. Another vote in Congress next year will decide whether the proposal becomes law. Peru has suffered from chronic political instability, with the country cycling through seven presidents in just the last decade, with some either being ousted by Congress or resigning ahead of imminent impeachment. How much has Peru's unicameral legislature contributed to facilitating the impeachment of presidents and the country's instability, and would a bicameral legislature improve political stability? How likely is the bill to be approved in next year's vote and what is the likely public reaction in Peru if it passes? What other reforms does Peru need in order to make the government more stable?

A Maxwell A. Cameron, professor of political science at the University of British Columbia: "In principle, both bicameralism and legislative re-election are positive and could contribute to strengthening Peru's battered democracy. The elimination of bicameralism made it possible to pass laws 'between midnight and the rooster,' often in response to the will of the president. But while executive aggrandizement has been a problem in the past, today congressional overreach undermines the separation of powers. Congress and the president have to learn to work together. Bicameralism would not necessarily solve the conflict between branches of government. A Senate could, however, provide better representation of the regions, which is desperately needed given Peru's deeply fragmented party system and the

Continued on page 3

TODAY'S NEWS

POLITICAL

Guatemalan Electoral Magistrates Flee

Three Guatemalan electoral magistrates fled after the country's Congress stripped them of their immunity from prosecution.

Page 2

ECONOMIC

Brazil Unveils Proposal for Conservation of Forests

Brazil unveiled a forest conservation proposal at the United Nations' COP28 conference in Dubai.

Page 3

POLITICAL

Venezuelans Approve Claim Over Disputed Area

Venezuelan voters in a referendum on Sunday backed the government's claim over an oil-rich territory that it disputes with Guyana. Venezuelan President Nicolás Maduro celebrated the result.

Page 2



Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuelans Approve Claim Over Area Disputed With Guyana

Venezuelan voters on Sunday backed the country's claim to an area rich in oil and minerals, which it disputes with Guyana, the Andean nation's government said, the Associated Press reported. It is unclear how the government of Venezuelan President Nicolás Maduro would seek to claim the Essequibo territory, which makes up two-thirds of Guyana, and Guyana has called Sunday's referendum a step toward annexation. Venezuela's National Electoral Council said it counted more than 10.5 million

“We have to give a standing ovation to the Venezuelan people.”

— Nicolás Maduro

votes, even though the AP reported seeing few voters at polling stations casting ballots in the five-question referendum. The electoral council did not say whether the number of votes was the sum of the individual answers or the number of voters who cast ballots, the wire service reported. “It has been a total success for our country, for our democracy,” Maduro told supporters in Caracas, celebrating the results, the AP reported. “We have to give a standing ovation to the Venezuelan people,” he added, the Financial Times reported. Maduro said the country has “taken the first few steps of a new historic phase of fighting for what is ours, and to recover what the liberators left us: Guayana Esequiba,” as the territory is known in Venezuela. Maduro did not say what the next steps would be, but he called the referendum “consultative,” the Financial Times reported. “I came to vote because Essequibo is ours, and I hope that whatever they are going to do, they think about it thoroughly and remember to never put peace at risk,” merchant Juan Carlos Rodríguez, told the AP after voting in Caracas

at a polling station where a small number of people were in line. On Friday, the International Court of Justice ordered Venezuela's government not to take action that would affect Guyana's control over the disputed territory, the AP reported. The Essequibo region has access to a part of the Atlantic Ocean where ExxonMobil discovered large quantities of oil in 2015. On Sunday, Guyanese President Irfaan Ali said his government is continuously working to ensure that the country's borders “remain intact,” the AP reported. He added that Guyana's people have “nothing to fear over the next number of hours, days, months ahead.” Ali added, “I want to advise Venezuela that this is an opportunity for them to show maturity, an opportunity for them to show responsibility, and we call upon them once more to join us in ... allowing the rule of law to work and to determine the outcome of this controversy,” the AP reported.

Guatemalan Electoral Magistrates Flee After Losing Immunity

Guatemala's immigration agency confirmed Friday that three electoral magistrates had fled the country that morning, only hours after the country's Congress stripped them of their immunity from prosecution, the Associated Press reported. The Congress, which is controlled by the outgoing ruling party, revoked the officials' immunity from prosecution late Thursday in a move critics fear is an attempt to hinder the transition of power to incoming President-elect Bernardo Arévalo. The president of the Supreme Electoral Tribunal (TSE), Blanca Alfaro, said Friday that the magistrates had followed the law in validating the electoral process and had no role in collecting votes, the AP reported. The magistrates were the subject of a complaint lodged earlier this year by a far-right candidate who failed to advance to the second round of the country's presidential election. The complaint alleged that the TSE overpaid for vote-counting software, and a special committee subsequently investigated those allegations and recommended stripping the magistrates of their immunity. Protests broke

NEWS BRIEFS

First Quantum Requests Arbitration After Panama's Move to Close Mine

Canada-based First Quantum Minerals said Friday that it had requested an arbitration process in response to the Panamanian government's announcement that it would close a copper mine operated by its Cobre Panamá subsidiary, the Associated Press reported. Last Tuesday, Panama's Supreme Court ruled that the company's contract for the mine was unconstitutional.

Mexican President Announces Hike to Minimum Wage

Mexican President Andrés Manuel López Obrador announced Friday that the nation's minimum wage would increase by 20 percent for 2024, the Associated Press reported. For most regions, this will mean a bump from 207 pesos to roughly 248 pesos, or \$1.75 an hour and about \$14.25 per day, starting Jan. 1. Part of rise in value is due to the Mexican peso having appreciated by 10 percent in value over the last year when compared to the U.S. dollar.

E.U. Official Cancels Plans for Brazil Visit, Casting Doubt on Mercosur Deal

European Union trade commissioner Valdis Dombrovskis has canceled plans to visit Brazil for a gathering of the Mercosur nations, casting doubt on the prospects of a potential trade deal between Mercosur and the European Union, the Financial Times reported Sunday. The deal's prospects have dimmed since French President Emmanuel Macron met with Brazilian President Luiz Inácio Lula da Silva at the United Nations' COP28 climate summit on Saturday, after which Macron expressed opposition to the deal, expressing concerns over what he said are Brazil's lack of environmental targets.

out in Guatemala following the news, and the decision has received international condemnation amid fears that the move is a pretense for the appointment of new judges who may block Arévalo from taking office, Reuters reported.

ECONOMIC NEWS

Brazil Unveils Proposal for Forest Conservation

Brazilian officials unveiled a new proposal at the United Nations' COP28 climate summit in Dubai on Friday aimed at forest conservation, Reuters reported. The proposal, named "Tropical Forests Forever," was presented by Brazilian Finance Minister Fernando Haddad and Environment Minister Marina Silva and

The proposal is known as "Tropical Forests Forever."

seeks to raise \$250 billion for a global fund that would finance forest conservation, paying countries annual rewards for the hectares of tropical forests they conserved or restored. Brazilian officials highlighted in their presentation that global financing mechanisms largely focus on carbon capture or environmental services, Reuters reported. The proposal hopes to raise funds from investors such as the oil industry and sovereign wealth funds, Deutsche Welle reported. In an interview with the German state-owned broadcaster, Tasso Azevedo, who helped design the proposal, explained: "For each hectare preserved for a year, an amount would be paid. And for each hectare cleared, there would be a deduction of 100 times that amount." At the announcement on Friday, Silva said "It's a very creative proposal. We want to create conditions for developed countries to protect the forest without it being charity. They will get a return," Deutsche Welle reported.

FEATURED Q&A / Continued from page 1

lack of articulation between local movements and leaders and the highly centralized power of Lima. The prohibition on re-election in an ill-considered 2018 referendum reflected public frustration with Congress. The impossibility of re-election contributed to the refusal of the Congress to accept proposals for early elections following the crisis of December 2022 when President Pedro Castillo was removed from office. Nobody in Congress has an incentive to call early elections knowing re-election is proscribed. Both reforms have generated public skepticism due to widespread disapproval of Congress. Leaders of the fujimorista party, Fuerza Popular, argue that Peru no longer needs a unicameral legislature. Since they have spent much of the past decade using Congress to obstruct the president, however, it seems reasonable to ask whether their real goal is to prevent a future fujimorista president from being similarly obstructed. Be that as it may, the reforms point Peru in the right direction."

A John Polga-Hecimovich, associate professor of political science at the United States Naval Academy: "Peru's unicameral Congress has undoubtedly contributed to the country's recent spate of political instability. With no jury trial or upper chamber vote needed, even a popular politician like Martín Vizcarra can be removed after accumulating a sufficient number of legislative adversaries. In this sense, bicameralism would raise the threshold for removal by placing another veto player in the impeachment process. Nonetheless, while the reform could restore some long-term stability to Peruvian politics, it would likely generate intense public opposition among the electorate. In a 2018 referendum, voters rejected a return to a bicameral system, opposing the creation of a Senate by a margin of 90 percent to 10 percent. They also approved a ban on congressional re-election, 86 percent to 14 percent, which happens to be another

measure this bill would reverse. As such, passage would be likely to trigger backlash and another wave of popular unrest. Still, reform is possible: 93 deputies approved the recent bill, and the support of only 87 will be needed to approve the measure in March. Ultimately, moving Peru out of its instability trap will require a long-term commitment to change that goes beyond creating a second legislative chamber. The country's chronic presidential instability is driven by a weak and fragmented party system that makes it difficult for presidents to govern, as well as voters' unhappiness with politicians and their many scandals. Among other solutions, reformers must look to strengthen the country's political parties and increase politicians' and parties' responsiveness to voters."

A Will Freeman, fellow for Latin America studies at the Council on Foreign Relations: "In theory, a bicameral system and legislative re-election should be good for Peru. A Senate creates a filter that weeds out badly designed laws. Peru's ban on congressional re-election has only made its weak parties even weaker, and there's a strong case for ending it. That's in the abstract. In practice, the reform would be a disaster for Peru's democracy and speed up its ongoing collapse, for three reasons. First, the current lawmakers in Congress are plainly seeking their own re-election—this, despite the fact that more than 80 percent of Peruvians disapprove of them. Since Castillo's impeachment, the majority of Congress has been on a relentless power-grab, co-opting independent institutions and harassing the national elections jury and judicial administration with unmerited investigations. If the current set of lawmakers can pursue re-election, they have strong incentives to further interfere with Peru's election authorities, as there is next to no chance they can win re-election on a level playing field. Second, Congress' sweeping reform—the biggest change to

Continued on page 4

FEATURED Q&A / Continued from page 3

the structure of Peru's constitution in 30 years—completely lacks popular legitimacy. Peruvians have already spoken: in a 2018 referendum, more than 90 percent rejected the creation of a Senate, and 85 percent supported ending re-election. They should at least be given the chance to vote again, but Congress is intent on avoiding this, knowing it will lose. Last, the reform does not fix the single most destabilizing feature of Peru's constitution: that the legislature can oust the president on wholly undefined charges of 'permanent moral incapacity.' The reform would make it harder for the president to dissolve Congress. But that won't bring stability, it will just make the president into even more of a captive and hostage of the legislature. Peru is teaching a masterclass in democratic-erosion-by-Congress."

A **Dennis Jett, professor of international affairs at Pennsylvania State University and former U.S. ambassador to Peru:**

"The fundamental problem of the Peruvian Congress is that most Peruvians perceive that its members are largely corrupt and self-serving. The proposed law would turn a unicameral body with 130 members into a bicameral one by adding an upper chamber with 60 senators. A 2018 referendum barred members of Congress from immediately

seeking re-election. The creation of a Senate would allow those now in Congress to seek election in the Senate. That will cause many to interpret this 'reform' as just a way for politicians to sidestep the 2018 prohibition. After the office of the national ombudsman (La Defensoria del Pueblo) was established, in 1996 I visited the first person to hold the position, Jorge Santistevan. I asked him why there was such a long line outside his office and whether the people were there because of human rights abuses. He said no, that many came to him because their pension check did not arrive or some other small problem with the government. I mentioned that in the United States people with a complaint like that would write their congressman to help get it resolved. Santistevan responded 'write your congressman does not translate into Spanish.' Until the Peruvian Congress begins to be perceived as serving the people instead of themselves, little will change. I would also note that an October Gallup poll showed that only 13 percent of Americans are satisfied with the job our Congress is doing. Why it is that high, I don't know."

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

Gene Kuleta
Editor

Carl David Goette-Luciak
Reporter

Nili Blanck
Reporter



Rebecca Bill Chavez, President

Bruno Binetti, Nonresident Fellow

Sergio Bitar, Nonresident Senior Fellow

Álvaro Botero, Nonresident Senior Fellow

Joan Caivano, Senior Advisor

Kevin Casas-Zamora, Nonresident Senior Fellow

Cristóbal Cobo, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Sandra García Jaramillo, Nonresident Senior Fellow

Rasheed Griffith, Nonresident Senior Fellow

Peter Hakim, President Emeritus & Senior Fellow

Selina Ho, Nonresident Senior Fellow

Edison Lanza, Nonresident Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Michael Matera, Nonresident Senior Fellow

Ángel Melguizo, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Director, Migration, Remittances and Development Program

Jeffrey Puryear, Senior Fellow

Michael Shifter, Senior Fellow

Daniela Stevens, Director, Energy Transition and Climate Program

Tamara Taraciuk Broner, Director, Peter D. Bell Rule of Law Program

Lisa Viscidi, Nonresident Senior Fellow

Carlos Winograd, 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.

LATIN AMERICA ADVISOR

Financial Services Advisor

The answers to questions that informed executives are asking.

Upgrade your subscription with the Inter-American Dialogue's biweekly Financial Services Advisor. Send an email to gkuleta@thedialogue.org today.

SUBSCRIBE