

# Latin America Strategic Markets

## **Weekly Political, Economic and ICT Highlights**

*Week of June 16 - June 23, 2021*

## Latest Developments: Impact

- Business climate
- Economic trajectory
- ▼ Political stability

## Political-Economic Overview:

This year, President Bolsonaro will have to consolidate his alliance with centrist parties in order to ensure his political survival and to advance structural reforms that will allow him to build a platform for his October 2022 re-election bid. With regards to the economy, poor management of the COVID-19 outbreak relative to other countries poses risks to economic recovery in 2021 given vaccine delays and the end of emergency cash transfers.

## Upcoming Elections:

October 2, 2022: Presidential election

## Latest Developments

- **Politics: Thousands of Brazilians marched across the country on Saturday to protest against the government's response to the Covid-19 pandemic.** The protests, promoted by social movements and left-wing opposition parties, occurred on the same day that the country's Covid-19 death toll reached 500,000. Protesters blame the death toll on President Jair Bolsonaro's pandemic approach.
  - This is the second mass protest against Bolsonaro in under a month, amid a Congressional inquiry into the administration's Covid-19 response.
- **A Federal Court in Brasília has acquitted former President Lula da Silva, his former Cabinet Chief, Gilberto Carvalho, and five others** accused by federal prosecutors of favoring automakers through the issuance of a provisional measure (measure 471 of 2009) to extend tax benefits for the sector. It is one of several corruption cases faced by the former president.
- **Economy: A worsening drought is compromising Brazil's economic recovery and may set the stage for another destructive fire season in the Amazon rainforest.**
  - The crisis has led to higher electricity prices, the threat of water rationing and a disruption of crop growing cycles.
- **Brazilian President Jair Bolsonaro promised to raise monthly welfare program payments to 300 reais (USD 59.48)** from the current 190 reais (USD 37.77), starting in December.
- **ICT Sector: Last week, the Board of Directors of Brazil's National Telecommunications Agency (Anatel) approved the Spectrum Use Plan for the 2021-28 period.** The document contains forecasts on the sixth generation of mobile networks (6G) and the agency's planning on the regulation of frequency bands, while dividing priorities in the short, medium and long term based on a treaty of the International Telecommunication Union (ITU).

President Jair Bolsonaro (2019-2022)



Approval rating



24%

COVID-19

**17,966,831**  
cases

#1 in LatAm

Key Economic Indicators

3.7%

**GDP Growth**

(2021 y-o-y, anticipated)

21%

**Poverty**

(2020)

7.6%

**Fiscal Deficit, %GDP**

(2021 year end, anticipated)

13.9%

**Unemployment**

(December 2020)

Sources: Directorio Legislativo, IMF, World Bank, Economist Intelligence Unit, World Health Organization.

## Latest Developments: Impact

- Business climate
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## Political & Economic Overview:

President Manuel López Obrador remains popular despite the government's poor handling of the pandemic. Midterm elections are expected to challenge Morena's majority, although the ruling party would remain the largest single legislative block. The US economic recovery is a positive sign for Mexico, which remains the US' top trade partner. Nevertheless, there is some uncertainty regarding economic policies, such as reform of the hydrocarbons law, which may affect investments in the short-term.

## Latest Developments

- **Politics:** The government of Mexico City presented the preliminary results of an investigation carried out by an independent foreign company, which was hired to determine the cause behind the collapse of an overpass in Mexico City's subway system. The tragedy caused the death of 26 people on May 3. Findings suggest that structural problems with the welding and placement of metal studs and linchpins directly contributed to the collapse.
  - The accident has spiraled into a political crisis, threatening to ensnare two of the nation's most powerful figures: Foreign Secretary Marcelo Ebrard and businessman Carlos Slim.
- **Economy:** The Mexican economy may record a historic annual growth rate of **24.8% in May**, according to the Economic Activity Indicator (IOAE) prepared by the National Institute of Statistics and Geography (INEGI). Accordingly, economic activity may show three months of continuous growth.
  - Growth may be due to improved pandemic-related conditions, as restrictions on economic activity have been eased, in conjunction with a vaccination campaign that has progressed at a faster pace than anticipated.
  - Economic activity is expected to remain driven primarily by the revival of the services sector.
  - Some economic risks will prevail for the remainder of the year, including uncertainty regarding unorthodox policies, probable controversies surrounding T-MEC, and the possible re-imposition of containment measures.
- **ICT Sector:** The Federal Judicial Power of the Federation (PJF) ruled that the Federal Economic Competition Commission (COFECE) may resolve actions regarding online search engines, social networks and cloud computing services markets in Mexico. It also affirmed the Federal Telecommunications Institute's (IFT) jurisdiction over the resolution of issues regarding the mobile operating systems market.

President Andrés Manuel López Obrador  
(2018-2024)



### Approval rating



58%

COVID-19

**2,478,551**  
cases

#4 in LatAm

### Key Economic Indicators



Sources: Directorio Legislativo, IMF, World Bank, Economist Intelligence Unit, World Health Organization.

## Latest Developments: Impact

- Business climate
- Economic trajectory
- Political stability

## Political & Economic Overview:

President Duque's attempt to implement structural reforms led to high levels of social violence. Governability will probably be affected by protests against tax hikes that have sparked widespread social unrest. This scenario will test the alliances established by the governing party in the national Congress, which have allowed the former to maintain a majority in both chambers.

## Upcoming Elections:

March 2022: Legislative Elections

May 2022: Presidential Elections  
(Duque won't participate given re-election is not allowed)

## Latest Developments

- **Politics: On June 18, President Iván Duque issued a decree that modified the definition of peaceful protests in order to exclude roadways blockades**, thereby allowing the use of force to stop them.
  - Interior Minister Daniel Palacios announced that the decision will be complemented with an investment of USD 9.4 million to improve of the police's skills, mainly regarding technological tools such as drones, to provide greater transparency to police intervention.
  - The decree was widely opposed by society and some political groups as they consider it subordinates protests to what the national government considers as legitimate.
- **On June 21, Colombia surpassed 100,000 deaths due to the COVID-19 pandemic.** During a commemoration event, President Duque blamed the national strike, and argued that 10,000 deaths could have been avoided.
  - Former mayor of Bogotá and current senator, Gustavo Petro (who is positioning himself as the main left-wing opposition candidate for the 2022 presidential elections), publicly called the president a liar, alleging he mishandled the pandemic.
  - Tensions with Petro increased after the president publicly said that there was a political interest behind the protests, and insinuated Petro was one of their leaders.
- **Economy: On June 22, the Commerce, Industry and Tourism Ministry, together with the Colombian Business Development Bank, launched the *Sostenible Adelante* credit line** to finance MSME's investments in circular economy, bioeconomy, and mitigation and adaptation to climate change within the framework of the country's economic reactivation plan. The *Sostenible Adelante* Line has a total allocation of COP 29,920 million (approx. USD 8 million).
- **ICT Sector: On June 22, the Connectivity Vice Minister, Walid David, announced the 5G auction will be carried out in December 2021 and that the 3.5 GHz band will be used.** He also stated Colombia seeks to create a shared public-private network to promote social welfare and make the industry more efficient.

President Iván Duque (2018-2022)



Approval rating



26%

COVID-19

**3,968,405**  
cases

#3 in LatAm

Key Economic Indicators

5.2%

**GDP Growth**

(2021 y-o-y, anticipated)

35.7%

**Poverty**

(2020)

9.1%

**Fiscal Deficit, %GDP**

(2021 year end, anticipated)

15.1%

**Unemployment**

(April 2021)

Sources: National Administrative Department of Statistics, IMF, World Bank, Economist Intelligence Unit, World Health Organization.

## Latest Developments: Impact

- Business climate
- ▲ Economic trajectory
- Political stability

## Political & Economic Overview:

President Alvarado is seeking to contain the adverse economic effects of the COVID-19 outbreak, while trying to pass structural reforms less than a year away from the next presidential elections. Heightening political tensions may complicate his policy ambitions for 2021.

## Upcoming Elections:

February 6, 2022: Presidential Elections.

## Latest Developments

- **Politics:** The government of Costa Rica issued a statement on Monday ratifying the interruption of Xinia Vargas' appointment as ambassador to Nicaragua due to political turmoil in the neighboring country. Vargas will be recalled to San José for consultation, and the interim chargé d'affaires will manage the diplomatic mission in Managua in the meantime.
  - **Costa Rica joins Mexico and Argentina** in their decisions to recall ambassadors to Nicaragua for consultations in the wake of the arbitrary arrests of opponents of the government.
  
- **Economy:** During the first five months of 2021, Costa Rica accumulated a primary surplus of 0.40% of GDP, as reported last week by the Finance Ministry (this translates into a 1.61% deficit when interest payments on debt are included).
  - **These results are largely the consequence of measures implemented by the Finance Ministry** to increase tax collection while bringing spending under control.
  - **A potential financial agreement with the International Monetary Fund for USD 1.75 billion, along with an agenda of complementary bills** that aim to reduce expenses and increase income, may stabilize macroeconomic indicators over time.
  
- **ICT Sector:** Claro Costa Rica has overtaken Kölbi's leadership in mobile service quality, emerging as the leading operator: the Superintendence of Telecommunications (SUTEL) and the international firm Open Signal named the company as the operator with the best experience in mobile networks.
  - **Claro leads in parameters such as 4G availability, voice experience and upload speed.** Last year, the operator's total investment in telecommunications was more than 23 billion colones (USD 38 million).

President Carlos Alvarado (2018-2022)



Approval rating



25%

COVID-19

**354,095**  
cases

#11 in LatAm

## Key Economic Indicators

2.6%

**GDP Growth**

(2021 y-o-y, anticipated)

21%

**Poverty**

(2019)

8%

**Fiscal Deficit, %GDP**

(2021 year end, anticipated)

18.7%

**Unemployment**

(January-March 2021)

Sources: Directorio Legislativo, IMF, World Bank, Economist Intelligence Unit, World Health Organization, INEC Costa Rica



# Peru

## Latest Developments: Impact

- Business climate
- Economic trajectory
- ▼ Political stability

## Political & Economic Overview:

President Sagasti took office in late 2020 after former President Martín Vizcarra's impeachment due to corruption allegations amid social and economic instability in the context of the pandemic. Peru is currently voting for its next president, who will take office on July 28. The next president will have to handle high levels of disillusionment with the political class, a fragmented Congress, and an ongoing health crisis.

## Latest Developments

- **Politics:** Pedro Castillo has defeated Keiko Fujimori in Peru's presidential election after holding onto a narrow lead. Fujimori refuses to concede, making claims of large-scale election fraud. While the electoral body has yet to confirm the result, Fujimori's claims remain largely unsubstantiated, and Castillo will take office on July 28, assuming his victory is confirmed.
- **Supporters of Pedro Castillo and Keiko Fujimori took to the streets by the thousands in Peru on Saturday**, as tensions rose over the result of the presidential election.
  - **Protest marches by supporters of both candidates take place almost daily in downtown Lima**, calling for swift resolution and respect for the popular will.
  - **The tight election has polarized Peru's wealthier urban coastal areas and its poorer rural highlands.**
- **A group of about 80 retired officers circulated a letter on social media suggesting that Peru's military should refuse to recognize Pedro Castillo's victory if fraud allegations are not investigated. Interim President Francisco Sagasti confirmed the letter arrived at the general headquarters of the armed forces.**
  - **The Armed Forces played a key role in the career of Keiko's father, Alberto Fujimori**, backing his decision to shut down Congress in 1992.
- **Economy:** Castillo has sought to assuage fears of radical economic changes, stating that his administration will respect private property and private investment.
  - **Peru's tendency to impeach presidents could serve as a check on Pedro Castillo's more radical tendencies.**
  - **For the remainder of the year, the economy's recovery will likely be limited due to political uncertainty**, which could deter a recovery of private investment.
- **ICT sector:** On Wednesday, the **Supervisory Body of Private Investment in Telecommunications (OSIPTEL) forced Telefónica del Perú to share the telecommunications infrastructure** it uses to provide paid TV service given the company's dominant position in that sector.

Interim President Francisco Sagasti  
(2020-2021)



## Approval rating



COVID-19

2,030,611  
cases

#5 in LatAm

## Key Economic Indicators

8.5%

**GDP Growth**  
(2021 y-o-y, anticipated)

20.2%

**Poverty**  
(2020)

5.4%

**Fiscal Deficit, %GDP**  
(2021 year end, anticipated)

13.9%

**Unemployment**  
(December 2020)

Sources: Directorio Legislativo, IMF, World Bank, Economist Intelligence Unit, World Health Organization, Perú's Economy and Finance Ministry.



# Chile

## Latest Developments: Impact

- Business climate
- Economic trajectory
- Political stability

## Political & Economic Overview:

Chile is undergoing a process of constitutional reform, which is expected to channel the demands that prompted the 2019 social unrest. The process will be highly influenced by the 2021 presidential elections, where President Sebastián Piñera, who has low approval ratings, will likely face a united opposition. Although the constitutional reform is not expected to promote a shift away from the country's free market economic model, uncertainty about Chile's future economic path remains.

## Upcoming Elections:

November 21: Voters will elect a new president and National Congress' members.

## Latest Developments

- Politics:** On June 21, the four presidential pre-candidates from the governing *Chile Vamos* coalition met in *La Moneda* for a public debate ahead of primary elections, which will be held on July 18. The debate resulted in several confrontations between Mario Desbordes (*Renovación Nacional* - PRI), Sebastián Sichel (independent), and Ignacio Briones (Evópoli). Joaquín Lavín (*Unión Democrática Independiente*), who is leading the polls within the coalition, maintained a moderate stance on most issues. The candidates discussed issues relating to the macroeconomy, healthcare, and housing, among others.
  - Most candidates agreed on the need to strengthen the role of the state and its engagement with society, contrary to the right-wing space's traditional idea of reducing state involvement. This shift may be linked to the need to improve governability in Chile. Moreover, it serves to respond to demands from large parts of Chilean society as channeled in the election of independent parties and the left in the conformation of the Constitutional Assembly.
- Economy:** According to the United Nations Conference on Trade and Development, Chile was the top recipient of foreign direct investment in Latin America in 2020. Companies invested a total of USD 11.6 billion, representing an annual 24.8% growth.
  - Investment flows to and from LatAm are expected to remain at low levels in 2021 and will not recover to pre-crisis levels before 2023.
- ICT Sector:** On June 21, the National Economic Prosecutor's Office approved the agreement between Telefónica Chile and investment firm KKR Alameda Aggregator through which the latter will acquire a 60% majority stake in Telefónica Chile's fiber optic and infrastructure subsidiary, Infra Co.

President Sebastián Piñera (2018-2022)



## Approval rating



9%

COVID-19

1,525,663 cases

#6 in LatAm

## Key Economic Indicators

6.2%

### GDP Growth

(2021 y-o-y, anticipated)

8.6%

### Poverty

(2017)

6.5%

### Fiscal Deficit, %GDP

(2021 year end, anticipated)

10.3%

### Unemployment

(January-March 2021)

Sources: Plaza Pública Cadem, IMF, World Bank, Economist Intelligence Unit, World Health Organization, Chile's Central Bank.

# Argentina

## Latest Developments: Impact

- Business climate
- Economic trajectory
- Political stability

## Political-Economic Overview:

The Alberto Fernández administration marked its first year in office on December 10, during which it faced numerous challenges including renegotiating the country's foreign debt, managing currency crises, and designing Argentina's response to the COVID-19 pandemic. In 2021, an electoral year, the national government has an even harder task ahead: managing the second wave of the COVID-19 pandemic, stabilizing the macroeconomy, and creating the conditions for long-awaited economic recovery, all while staying competitive in the midterm elections.

## Upcoming Elections:

September 12: Primary Legislative Elections  
November 14: General Legislative elections

## Latest Developments

- Politics:** On Tuesday, Vice President Cristina Fernández de Kirchner gave a presentation in which she called for the de-politicization of the vaccination campaign and discussions around reforms to improve coordination between subsectors of the Argentine health system. She stated that the COVID-19 pandemic had exposed the health system's deficiencies after having previously said changes could promote greater efficiency.
- Economy:** Inflation in May was 3.3%, which amounts to 21.5% for the first five months of 2021, and 48.8% over the last 12 months, according to the National Institute of Statistics and Census. The sectors with the largest increases during May were transport (6%) and health (4.8%).
  - Although May's figure was slightly less than private sector estimates and was the lowest figure since December, **accumulated inflation for the first five months show that the national government's 2021 inflation target of 29% will not be met, and that inflation will be closer to 50%.**
- Economy Minister Martín Guzmán announced that Argentina will pay USD 430 million to the Paris Club after failing to make a USD 2.4 billion payment due in late May.**
  - The **partial payment is part of a deal to postpone the rest of Argentina's debt with the Paris Club until March 31, 2022** while it renegotiates its outstanding debt with the IMF.
- ICT Sector:** On June 14, Education Minister Nicolás Trotta announced an update to the **Juana Manso Federal Plan**, which is focused on the provision of notebooks for students and providing Internet access in educational establishments, as well as the development of an online educational platform.
  - During the event, Trotta stated the national government will present a Connectivity Law bill in the national Congress that will seek to guarantee free navigation through educational platforms and the distribution of technological devices by the government.

President Alberto Fernández (2019-2023)



Approval rating



COVID-19

4,277,395  
cases

#2 in LatAm

Key Economic Indicators

5.8%

**GDP Growth**  
(2021 y-o-y, anticipated)

42%

**Poverty**  
(December 2020)

4.5%

**Fiscal Deficit, %GDP**  
(2021 year end, anticipated)

11.5%

**Unemployment**  
(December 2020)

Sources: Directorio Legislativo, IMF, World Bank, Economist Intelligence Unit, World Health Organization.



**Latest Developments: Impact**

- Business climate
- Economic trajectory
- Political stability

**Political & Economic Overview:**

President Abdo has dodged two impeachment attempts and is facing public discontent and criticism over his handling of the pandemic and for alleged corruption.

While Paraguay's economy was one of the least affected by the pandemic, it is now facing the difficulties of a second wave of COVID-19 and a slow vaccination rollout. Abdo's capacity to handle vaccine deployment will determine the country's stability and governability in the coming months.

**Upcoming Elections:**

June 20: Primary Municipal Elections

October 10: General Municipal Elections

**Latest Developments**

- **Politics:** Over the weekend, primary elections were held within the *Partido Colorado* and the Liberal Party to select the candidates that will run in municipal elections on October 10.
  - The **Liberal Party** registered **67,000 blank votes, an act perceived as protest against the current set of candidates. Efraín Alegre, a two-time candidate for president, was re-elected as president of the Liberal Party.**
  - Former **President Fernando Lugo** of the *Frente Guasú* coalition announced that the opposition will begin dialogue aimed at achieving **an alliance for the 2023 presidential elections** once the general municipal elections take place.
- **Economy:** The **Labor Ministry, together with unions and representatives of employers, agreed on a 4.4% increase in the minimum wage**, which is now awaiting approval from the presidency. The measure will benefit 250,000 workers.
- **ICT sector:** No relevant news this week.

President Mario Abdo Benítez  
(2018-2023)

**Approval rating****50%**

COVID-19

**407,721**  
**cases**

#10 in LatAm

**Key Economic Indicators**

4%

**GDP Growth**

(2021 y-o-y, anticipated)

23.5%

**Poverty**

(2020)

5.6%

**Fiscal Deficit, %GDP**

(2021 year end, anticipated)

7%

**Unemployment**

(December 2020)

Sources: Directorio Legislativo, IMF, World Bank, Economist Intelligence Unit, World Health Organization.