

## LATAM PULSE

This week, **Brazil's** presidential election campaign resets in the wake of a closer-than-anticipated first-round result yesterday, 2 October. In **Cuba**, the regime is in full crisis mode after days of protests over electricity outages caused by Hurricane Ian. The US will be getting down to details as **Colombia's** President Gustavo Petro looks to modify longstanding aspects of drug and security policy; a reworked version of Petro's tax reform proposal will also see the light of day. In **Peru**, vote counting for the Lima mayoralty pits two conservative – and deeply controversial – heavyweights against each other. Finally, a major data hack in **Mexico** could put the government on the defensive.

### Brazil

There will be a run-off election on 30 October following a surge of votes for President Jair Bolsonaro in contradiction to all major pollsters and poll aggregators. Former President Luiz Inacio Lula da Silva reached 48.43% of the vote, as expected within the error margin, against the president's 43.20% - a full 6-7% above the level indicated by polling on the day before yesterday's election. Lula prevailed by more than six million votes, the best ever first-round performance. Bolsonaro did better than in 2018 by a 1.7 million margin. The president did surprisingly well in the crucial Southeast region (43% of the electorate) where he beat Lula by a five-percent margin. Lula won the Northeast region by more than 40 percentage points and the North by only 1.5. The specter of a first-round Lula victory according to the polls (50-52%) may have fired up a strong anti-Workers' Party (PT) sentiment in the electorate which may have spared Lula but took its toll on all other major leftwing candidacies at the federal and state levels. Fourteen winning senators of the 27 up for election were supported by Bolsonaro, including five former ministers and Vice President Hamilton Mourao. Both presidential candidates will have to revamp their campaigns in the next 27 days leading up to the run-off on 30 October. Bolsonaro is expected to put aside his contestation of the electronic voting system in the upcoming campaign.

### Cuba

The regime led by President Miguel Diaz-Canel will aim to suffocate protests as quickly as possible this week. Protests bubbled up after Hurricane Ian caused an island-wide electricity outage on 27 September. Authorities have struggled to restore normal service given the dilapidated state of the electricity grid. The regime has resorted to cutting internet access in a bid to stop scattered and spontaneous protests from spreading, while deploying army units, sometimes dressed as civilians, to arrest protestors. It is a mark of how profound public discontent has become that protestors are willing to risk long prison sentences to go out on the streets; local courts handed out severe sentences against many who protested against the regime in July 2021. With inflation and shortages hurting as much as power outages, the deterrent does not appear to have worked.

### Colombia

US Secretary of State Antony Blinken will be in Bogota today, 3 October, for a meeting with President Gustavo Petro. As the US looks to make sense of Petro's call for a new approach to the war on drugs, Blinken will seek clarification on

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Petro's proposal to re-think extradition, which has been a key tool of US counter-narcotics policy. Petro's move to thaw relations with Venezuela will also no doubt come under discussion, as will the parallel move to undertake peace talks with the National Liberation Army (ELN) guerrilla group and bring organized crime groups under the umbrella of Petro's "total peace" initiative. Additionally, Blinken is likely to sound out Petro about a more forceful condemnation of Russia's recent annexation of four areas of Ukraine ahead of a meeting of the Organization of American States (OAS)'s General Assembly to be held in Lima later this week.

Separately, the final reworked version of Petro's flagship tax reform is expected to be sent to Congress later today. Various aspects of the initiative have been modified. These include changes to dividend taxes; a trade-off for oil and gas companies on the deductibility of royalties for additional income tax; the addition of a new higher rate for the wealth tax; a 5% surcharge on financial institutions' corporate income tax; and new rates plus a more gradual implementation of the tax on sugar-sweetened beverages. Finance Minister Jose Antonio Ocampo has admitted that the revenue target of COP 25.8tn (USD 5.6bn) will be reduced.

## Peru

Vote counting in the Lima mayoral election will dominate the early part of this week after the regional and municipal elections held yesterday, 2 October. According to an Ipsos quick count based on a representative sample of the vote, the ultra-conservative businessman Rafael Lopez Aliaga, who came third in the 2021 presidential race, and the former army officer and interior minister Daniel Urresti were tied on 25.9% of the vote. An exit poll put Lopez Aliaga very slightly ahead of Urresti, while the official vote tally, which continues to progress, also put Lopez Aliaga in the lead. A Lopez Aliaga victory would put him in the frame for the next presidential elections, though he would need to avoid the pattern of some recent Lima mayors becoming embroiled in corruption scandals. Lopez Aliaga already faces investigations into his tax affairs, though his legal situation is not as serious as his rival's; Urresti is being tried for murder over the killing of a journalist in the 1980s. In a sign of how discredited the governing *Peru Libre* (PL) party has become, its Lima mayoral candidate, Yuri Casto, obtained less than 2% of the vote, though Lima has never been a PL stronghold.

## Mexico

This week could see more revelations emerge from the data hack of the Defense Ministry (Sedena) that the government confirmed had taken place last week. Six terabytes of data were hacked by a group going by the moniker of Guacamaya. The disclosure that has garnered most attention centers on President Andres Manuel Lopez Obrador (AMLO)'s health; AMLO had a serious heart attack in 2013 and it is known that he suffers from hypertension. The leak has revealed that he also has gout and hyperthyroidism, and that he suffered an attack of "unstable angina" earlier this year that required hospitalization. Whether AMLO's ailments become more problematic and/or inject greater pressure into the succession question remains to be seen. The apparent use of Pegasus spyware by the government – despite AMLO's denials – could also be controversial. Parallel revelations about abuses within the armed forces could also put the military on the defensive at a time when its role in public security tasks has been at the center of political debate.

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