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FEATURED Q&A

Will Mounting Scandals Topple Temer in Brazil?



Nearly a third of Brazilian President Michel Temer's cabinet, along with dozens of members of Congress, are under investigation on corruption allegations. // File Photo: Brazilian Government.

Q A Brazilian Supreme Court justice this month approved 74 new corruption investigations into the activities of dozens of politicians, encompassing nearly a third of President Michel Temer's cabinet and the leaders of both chambers of Congress, including 60 sitting members of Congress and Temer's powerful chief of staff, Eliseu Padilha. Later the same week, a former executive of Brazilian construction conglomerate Odebrecht testified that Temer took part in a 2010 deal to arrange a \$40 million bribe to his Brazilian Democratic Movement Party, or PMDB, which Temer denies. Will Temer's government be able to survive the allegations? What will the new investigations mean for Temer's political agenda? What might the investigations mean for Brazil's presidential election, set to take place next year?

A Cláudio Gonçalves Couto, professor in the Department of Public Management at the Getúlio Vargas Foundation "The problem of corruption and the confusion between political agents and private interests is not the privilege of a single party, but rather a hallmark of the modus operandi of the Brazilian political system and its financing model. Therefore, in addition to parties and leaders of the government coalitions of the Workers' Party presidencies, prominent members of the opposition stand out among those who worked diligently for former President Dilma Rousseff's impeachment: PSDB, DEM and PPS. It is also important to note that the bosses are the ones who are indicted, not those of lower rank. That is why—without even mentioning the ministers and governors—the proportion of senators

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At Least Three Killed in Violent Venezuela Protests

Hundreds of thousands of people took part in demonstrations across Venezuela in protest of President Nicolás Maduro's government.

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Authorities opened an investigation into the purchase of Banco Panamericano shares by the state-owned parent company of Caixa Econômica Federal.

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POLITICAL

Haiti to Rebuild National Palace

Haiti's government said it would rebuild the country's National Palace, which was severely damaged in the country's catastrophic 2010 earthquake. President Jovenel Moïse said a new reconstruction commission includes Haitian architects and historians.

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Moïse // File Photo: Haitian Government.

POLITICAL NEWS

At Least Three Killed in Violent Protests in Venezuela

At least three people were killed Wednesday as anti-government demonstrators marched in a dozen cities across the country, clashing with authorities and supporters of President Nicolás Maduro. Hundreds of thousands of people took to the streets in what organizers dubbed the “mother of all marches” in protest of Maduro’s government, which opponents blame for the



Authorities launched tear gas at protesters Wednesday in Caracas. // Photo: MUD Coalition.

country’s economic and political crises. During the march in Caracas, a 17-year-old boy was fatally shot in the head, CNN reported, citing Venezuela’s public ministry. The public ministry also said it was investigating the shooting death of a 23-year-old woman in San Cristóbal in Táchira state. Also, the public prosecutor’s office said a National Guard sergeant was fatally shot late Wednesday in the municipality of Los Salias, south of Caracas. Anti-government protests have intensified in the weeks following the Venezuelan Supreme Court’s effective dissolution of the country’s National Assembly, a move the high court later reversed amid widespread condemnation and concerns that the country was becoming a dictatorship. During the several days of marches, Maduro deployed the armed forces to the streets on Sunday night amid the boiling tensions. In a fiery speech Wednesday, Maduro accused opposition leaders of spurring violence. In a statement directed at Julio Borges, the president of the opposition-controlled National Assembly, Mad-

uro said, “You are the head of the coup. Later don’t complain when the law comes after you.” Counter-demonstrators and security forces blocked anti-government marchers from reaching some parts of Caracas, and authorities shot tear gas and water cannons at protesters, CNN reported. In Washington, U.S. Secretary of State Rex Tillerson expressed concerns about Venezuela in a statement to reporters. Maduro’s government “is violating its own Constitution and is not allowing the opposition to have their voices heard, nor allowing them to organize in a way that expresses the views of the Venezuelan people,” he said. In Colombia, President Juan Manuel Santos said on Twitter that he had instructed the country’s interior ministry to ask U.N. Secretary General António Guterres to address what Santos called the “worrying militarization of Venezuelan society.” Also in Venezuela, U.S.-based automaker General Motors today said it had halted all of its operations in the South American country after Venezuelan authorities unexpectedly seized its factory in the city of Valencia on Wednesday, UPI reported. The company’s Venezuelan unit, General Motors Venezolana, called the seizure “improper, absurd, outside of legal logic and due process.” GM told its workers, suppliers, dealers and other associates to refrain from reporting to work until the move is reversed. A court in Zulia state said it imposed an embargo on the company, and GM Venezolana said its bank accounts were likely out of its control, meaning it could not pay employees or make other payments. The action was likely related to a lawsuit filed by a former landowner in Maracaibo against the company, *El Universal* reported. [Editor’s note: See [Q&A](#) on Venezuela in the April 12 issue of the Advisor.]

At Least 17 Killed in Colombia Landslides

At least 17 people are dead in Colombia after heavy rains caused landslides that destroyed homes and filled the streets with mud in the city of Manizales in the western part of the country, the Associated Press reported Wednesday. Hillsides in Manizales gave way after the city experienced the equivalent of one

NEWS BRIEFS

Haiti Announces Plans to Rebuild Presidential Palace

Haiti’s government said Wednesday that it will rebuild the country’s National Palace, which was severely damaged in the country’s devastating 2010 earthquake, the Associated Press reported. A new palace will “make the connection between the history, culture and future of the Haitian nation,” said President Jovenel Moïse. A new reconstruction commission includes Haitian historians and architects, said Moïse. The government is likely to open a competitive bidding process for the project this year. The ruins of the earthquake-damaged palace were demolished in 2012.

Peru’s Government Expecting 4.5 Percent Economic Growth in 2018

Peruvian Finance Minister Alfredo Thorne said Wednesday that the country’s economy will recover in the coming years thanks to investment in construction following recent flooding, Reuters reported. “The shock will be temporary,” Thorne said. He estimated that the economy will grow by 4.5 percent next year and by 5 percent in 2019, up from a previous projected 3 percent in 2018 and 3.8 percent in 2019.

El Salvador’s Coffee Exports Grow 29 Percent

El Salvador’s coffee exports increased by 29 percent in March year-over-year as the crop recovered from an outbreak of the roya leaf fungus that destroyed the harvest last year, the Salvadoran Coffee Council said Wednesday, Reuters reported. The country shipped 66,819 132-pound bags of coffee in March, as compared to 51,813 bags during the same month a year earlier. El Salvador has been one of the hardest-hit countries by roya, also known as coffee leaf rust, in the Central America and Mexico region.

month's rainfall in the span of five hours, leading to 40 to 50 avalanches of mud and rocks. Among the dead are a police officer and at least three children, with rescuers looking for several other missing people. President Juan Manuel Santos said Manizales residents are still at risk of evacuation, and national agencies are assisting in the recovery. "It rained in Manizales like it has never rained before," Santos said. The incident comes as Colombia is still recovering from a flood in the southern city of Mocoa that killed more than 300 people last month.

BUSINESS NEWS

Brazilian Police Investigating Banco Panamericano Deal

Brazil's federal police on Wednesday launched an investigation into the purchase of shares of Banco Panamericano by state-owned Caixa Participações, the parent company of national savings bank Caixa Econômica Federal, The



Esteves // File Photo: Harvard Business School.

Wall Street Journal reported. The investigation is into whether Caixa Econômica Federal managers committed fraud that would have led to their clients losing money, the police said, Reuters reported. Caixa said it is cooperating with the investigation. The shares were later sold to investment bank BTG Pactual, The Wall Street Journal reported. The former CEO of BTG, André Esteves, is also being investigated as part of the probe, because he oversaw BTG's 2011 purchase of a controlling stake in Banco

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implicated is far larger than that of deputies: 30 percent of the Senate, compared to only 8 percent of the lower house. This creates a second-order problem: leaders organize parties, set agendas and vote. If their work is hampered, then the chance of approving legislation on controversial issues, such as the reforms under consideration by Congress today, is reduced. There are three possible developments. One is the assumption of a positive agenda that seeks



Space is opening up, whether in the most important parties or outside, for beginners or outsiders."

— Cláudio Gonçalves Couto

substantive legitimacy, demonstrating that even troubled politicians care about the country. Another, a reactive agenda is aimed at 'stopping the bleeding' of investigations by approving self-indulgent laws. The third is, simply, paralysis: the solution of pressing problems is left for the future. But betting on a single scenario would be inconsequential futurology. The Temer government can still survive and direct much of its agenda if the first scenario is confirmed, but it will face considerable corporate resistance and likely street mobilization. If it is the second, there are chances of government survival, but at serious risk of producing a new wave of popular dissatisfaction caused by the scandal.

Panamaericano. Approximately 200 federal police conducted raids following the court order, which also froze bank accounts holding a combined 1.5 billion reais, or \$480 million. BTG was ordered to provide documents about the deal. Both the investment bank and Esteves deny wrongdoing. BTG said it did not play a role in Caixa Econômica Federal's purchase

If it is the third scenario, the government is most likely to walk in lethargy to its end after the 2018 elections. As for the presidential elections, the scenario is one of great uncertainty. Space is opening up, whether in the most important parties or outside, for beginners or outsiders. It is impossible at this moment to predict what will come."

A Melvyn Levitsky, professor of international policy and practice at the University of Michigan's Gerald R. Ford School of Public

Policy and former U.S. ambassador to Brazil: "Since the 'Mensalão' (vote-buying) scandal during the Lula administration, there have been so many 'operations,' the most prominent being Operation Car Wash, that one might assume the patient is dying. Brazil has an abundance of natural and human capital that give it resilience during such times, but this resilience is being tested mightily as one revelation after another indicates that corruption has kidnapped the political system. Despite the energetic efforts of some outstanding and courageous Brazilian judges, prosecutors and federal police investigators, it is not clear at this point that the political class has the desire or the resolve to press forward with the kind of reform that is necessary to root out this endemic corruption, nor does there seem to be a group of dedicated politicians willing to tackle the tough, grinding work of reform through legislation. I continue to believe that single-member districts binding legislators to specific constituencies, rather than party lists that tend to generalize responsibility, along with reform of the party system that

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in 2009 of a 35.5 percent stake in Banco Panamericano. When BTG in 2011 bought a controlling stake of Banco Panamericano, which is now called Banco Pan, Caixa retained its stake in the bank. Banco Pan posted a loss of 237.2 million reais in 2016, finishing the year with a credit portfolio of 19.2 billion reais, The Wall Street Journal reported.

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would decrease the number of parties and ban overnight party switching in return for favors, could help to diminish corrupt practices among politicians. I'm not sanguine that this can be accomplished until a new, untarnished group of politicians emerges. Given the number of legislators, cabinet members and prominent businessmen being investigated or involved in plea bargains (for example, Odebrecht executives), it doesn't seem possible for Temer to pursue successfully his political agenda. Sadly, I think Brazil will have to muddle through the next 18 months with the hope that new elections will both purge and renew the political system."

A **Riordan Roett, director of the Latin American Studies program at the Johns Hopkins University's School of Advanced International Studies:** "Unless directly implicated in the ongoing series of scandals, President Michel Temer will probably limp across the finish line in 2018. Allegedly, the judicial authorities will be reluctant to overturn the election of Temer and Dilma Rousseff for fear of greater political and social instability. Key to the process will be the ability of Temer and his cabinet colleagues to continue the reform process, particularly the pension reform, but also the labor reform legislation and the state debt relief bill. Public opinion polls indicate that while former President Luiz Inácio Lula da Silva is the frontrunner in the 2018 national election, his legal problems will probably impede his

candidacy. If he were to run, he would probably be defeated in a second round. Given the painful costs of the current economic crisis in Brazil, and the public revulsion over corruption, people are going to look at

“**The traditional political class appears to have dug its own grave with the public.**”

— Riordan Roett

alternative candidates to the usual list of contenders—among them Aécio Neves, Ciro Gomes and Marina Silva. João Doria, the mayor of São Paulo, is not a declared candidate, but his name is frequently mentioned as a 'non-political' possibility in the style of Donald Trump. He is a multimillionaire media entrepreneur who once hosted a Brazilian version of 'The Apprentice.' A second name that has widespread appeal is that of Jair Bolsonaro, the Rio congressman of the right-leaning Social Christian Party, or PSC. A retired Army captain, who has switched parties six times, he appeals to the 'law and order' constituency. The traditional political class appears to have dug its own grave with the public."

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