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FEATURED Q&A

Is the Mexican Gov't Serious About Fighting Graft?



Anger over corruption has led to crumbling support for the Institutional Revolutionary Party of President Enrique Peña Nieto. // File Photo: Mexican Government.

Q Mexican lawmakers on July 19 missed a one-year deadline for creating new anticorruption rules and appointing a corruption prosecutor, with the country's main political parties blaming each other for missing the deadline. What does the missed deadline reveal about the Mexican government's efforts and commitments to fighting corruption? What new rules should be part of Mexico's anticorruption efforts? To what extent does graft in Mexico affect businesses that operate there and companies' decisions to invest in the country?

A Rogelio Ramírez de la O, president of Ecanal in Mexico City: "That political parties and lawmakers failed to reach essential agreements, and the government did not throw its full weight behind pending implementation of the new anticorruption system (as it had done in the case of other reforms) suggest the absence of political will to fight corruption. Thus, the edifice of the Anticorruption System (a constitutional reform and seven packets of legislation) responded to public opinion pressure, but not to the actual functioning of political power, and for that reason, it is ineffective. In fact, the existing system did not need many more rules, for no system allows corruption, including government contracts, where Mexico has an ample legal framework. What the system needed was the observance of the law, which anywhere starts at the highest political levels. The grandiose machinery of the new Anticorruption System simply followed what is becoming a Mexican vice of wanting to resolve problems by enacting new laws. The

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TODAY'S NEWS

POLITICAL

U.N. Office Decries Venezuela Human Rights Situation

The United Nations' human rights office said its investigators have found widespread rights violations in Venezuela, including the use of excessive force and arbitrary detention.

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ECONOMIC

Colombian Bourse Seeks New Listings to Spur Trading

Colombia's stock market is eyeing the listings of new assets, such as real estate investment funds. The country's local stock market trades an average of \$50 million a day in sales.

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POLITICAL

Brazil's Temer Could Face More Charges: Chief Prosecutor

Brazilian President Michel Temer could face additional charges of racketeering and obstruction of justice, said the country's chief prosecutor, Rodrigo Janot.

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Janot // File Photo: Brazilian Government.

POLITICAL NEWS

U.N. Office Decries Rights Situation in Venezuela

The United Nations' human rights office said it has found "widespread and systematic use" of rights violations, including the use of excessive force and arbitrary detention against protesters and others who have been detained in Venezuela, the Associated Press reported today. Preliminary findings show that there are "no signs" that the situation is improving in the country, said U.N. spokeswoman Ravina Shamdasani. An analysis by a team of U.N. investigators found that at least 46 deaths were allegedly caused by security forces, while armed pro-government groups allegedly caused 27 of 124 deaths that are under investigation in relation to anti-government demonstrations. It was unclear who caused the other deaths, the U.N. team said. The human rights office, which is expected to release a full report on its findings, said violations included "house raids, torture and ill-treatment of those detained in connection with the protests," the Associated Press reported. The statements from the U.N. human rights office came as foreign ministers

from 14 countries were preparing to meet today in Peru to address the deepening crisis in Venezuela. Peruvian President Pedro Pablo Kuczynski has been among the foreign leaders who have rejected Venezuela's new constituent assembly, a supremely powerful new body that was selected from a list handpicked by President Nicolás Maduro's government. The

The U.N. office found "widespread and systematic use" of human rights violations.

constituent assembly is expected to meet today in the legislative palace in Caracas for the first time since Saturday, when it gathered to dismiss Attorney General Luisa Ortega Díaz, who had become a critic of Maduro's actions. The assembly replaced her with a government loyalist, the AP reported. The new assembly has signaled that it will continue to support Maduro. "It should be clear: We arrived there to help President Nicolás Maduro, but also to create strong bases for the construction of Bolivarian and Chavista socialism," said Diosdado Cabello, a member of the new assembly and of Maduro's ruling socialist party, told a gathering of supporters on Monday. Meantime, members

NEWS BRIEFS

More Charges Could Be Filed Against Brazil's Temer: Chief Prosecutor

Brazil's chief prosecutor criticized the lower house of Congress on Monday for voting against trying President Michel Temer for bribery, and added that plea bargains that are currently being negotiated could lead to charges of racketeering and obstruction of justice against the president, the Associated Press reported. The chief prosecutor, Ricardo Janot, said the lower house's decision to not put Temer on trial does not help the country solve its political crisis. "A political solution can't be treating a thug as a politician," Janot said. Temer denies wrongdoing.

Three Fatally Shot at Baja California Beach Resort

Three people were fatally shot and two others were wounded Sunday at a popular beach resort at the southern tip of Mexico's Baja California peninsula, the Associated Press reported. Gunmen opened fire at the Playa Pamilla resort in the Los Cabos tourist region. The motive for the shooting was unclear, but analysts have blamed Mexico's rise in violence this year on clashes between rival drug cartels.

Senate Democrats Voice Frustration Over U.S. Policy Toward Honduras

In a letter to U.S. Secretary of State Rex Tillerson, a group of Democratic U.S. Senators voiced frustration with the Trump administration in its handling of efforts to address corruption and violence in Honduras, the Associated Press reported Monday. The senators urged Tillerson to link U.S. aid to Honduras with improvements in human rights. The lawmakers said there is "credible evidence" that despite U.S. efforts to strengthen key government institutions, not all Honduran officials support efforts to combat organized crime and graft.

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new system is likely to disappoint the expectations it raised. Corruption in Mexico is a deterrent against efficiency and competitive costs, and business organizations and researchers estimate it at several percentage points of GDP. In that sense, it is a macroeconomic aggregate that has risen along with GDP, and largely explains the explosive increase in aggregate public spending, which has shot up seven percentage points of GDP since 2001. It has risen across the governing political parties, in practice prevailing over the rule of law. For the same reason, it is an opportunity, whose time is now close, though not necessarily through the machinery of the new system as it is now."

A **Viridiana Rios, member of Mexico's Anticorruption Citizen Selection Commission and visiting assistant professor at Purdue University:** "Missing the deadline reveals a Mexican government willing to simulate a battle against corruption but not willing to implement it. It shows a government that needs to be forced to act, and (fortunately) a Mexican civil society willing to do it. The Mexican Congress is willing to simulate the appointment of a prosecutor specialized in corruption cases, but it is not willing to appoint one who can act independently. Under today's legal framework, Mexico's corruption prosecutor is directly supervised

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of Venezuela's elected legislature, the opposition-controlled National Assembly, vowed to remain in place. The National Assembly's president, Julio Borges, told legislators on Monday that they should maintain an active presence in the legislative palace despite threats from the new constituent assembly to strip them of authority and imprison top lawmakers. "We are a testament to the fight for democracy," he said. The National Assembly on Monday also voted unanimously not to recognize any actions of the new constituent assembly.

BUSINESS NEWS

BNDES Approves Financing for Solar Power Plant

Canadian Solar and French renewables firm EDF Énergies Nouvelles announced the Brazilian Development Bank, or BNDES, has approved \$163 million in project financing for the 191.5 megawatt Pirapora I solar power plant, PV-Tech reported Monday. The project, which is located in Minas Gerais state, will be the first photovoltaic project that BNDES has supported. The local subsidiary of EDF, EDF EN do Brasil, has acquired an 80 percent stake in the project from Canadian Solar. The project is expected to begin commercial operation in the third quarter of this year.

ECONOMIC NEWS

Colombian Bourse Seeking New Listings to Spur Trading

Colombia's stock market hopes to attract billions of additional dollars by listing new assets in order to spur trading, which is currently limited to a few dozen companies, Colombian Securities Exchange President Juan Pablo Córdoba said, Reuters reported Monday. Córdoba said there are currently 69 companies trading

THE DIALOGUE CONTINUES

Will Reforms Boost Brazilian Mining?

Q **Brazil's government is planning to boost mining royalties and establish a new regulator for the industry in an effort to revitalize the sector. The changes will reportedly increase the stake that foreign companies can have in mining projects in Brazil. Will the changes succeed in bolstering the country's mining industry? How important is the mining sector for Brazil's economy? Will the decree see broad support in Congress?**

A **Ana Janaina Nelson, fellow at Foreign Policy Interrupted:** "If Brazil were only making clearer rules for mining investors and modernizing regulation, as well as environmental penalties, it would be a welcome effort. However, the increase in levies from 40 to 80 percent is a rent-seeking solution to Brazil's larger economic problems—squeezing the private sector to pay for economic mismanagement at the federal level. This has broader effects than just in the mining industry. As Brazil prepares to tender new areas of the pre-salt, five years after the disappointing results of the Libra bid, the Temer administration's rent-seeking behavior in the mining sector will surely dampen

expectations for a market-friendly bid in the oil and gas sector. The economic effects of the reform in the overall economy are not negligible. The extractive sector accounts for about 5 percent of global GDP as of 2015. The mining sector specifically makes up 1.3 percent of the global GDP as of 2015. The share of mineral goods in Brazilian exports is around 23.5 percent. The GDP of the mineral sector was \$85 billion in 2015. It is unlikely that this will breeze through Congress. Brazil's Vale, the largest producer of iron ore and nickel, criticized the policy and will lobby strongly against it. The Temer administration has already spent much political capital and monies on surviving the latest vote on corruption charges against the president, and it will likely face another two similar charges in the months to come. President Temer will need to focus all of his political capital on surviving his term, rather than on economic reforms."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Aug. 4 issue of the Advisor.

on the exchange, but that the number should be doubled in order to attract the level of trading the government is seeking. In an interview on Aug. 3, he also called for modifying tax regulations in order to make the bourse more competitive. Colombia's local stock market trades an average of \$50 million a day in sales, a relatively low number when compared to the \$1.2 billion daily volume in domestic public fixed income instruments and the \$1 billion in the foreign exchange market. Colombia's plan to list new assets like real estate investment funds aims to raise money in the market for the construction of shopping centers, office buildings and other structures, Córdoba said. "We're working toward being able to list those assets in the market, so there will be a new

class of equity assets, not company shares, but a fund that's registered in the equity market and traded as a stock," Córdoba said. "In terms



Córdoba // File Photo: Colombian Government.

of market issuance, we could be talking about up to 5 trillion pesos, about \$2 billion, in the next two or three years."

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by the attorney general, does not have an independent staff to investigate, and is legally barred from investigating certain federal institutions. Several civil society organizations are now lobbying in favor of a constitutional reform that creates full judicial independence. Mexican local governments are willing to stimulate the creation of laws against corruption, but they are unwilling to approve laws against their interests. Before civil society started conducting detailed evaluations about the quality of local anticorruption bills, many local governments were considering approving suboptimal laws. Indeed, the only medicine to cure the schizophrenia of the Mexican government (supposedly wanting to reduce corruption but doing everything in its power to avoid it) is citizen organization. Public protests against corruption scandals like La Casa Blanca and Ayotzinapa were the drivers for the approval of Mexico's first anticorruption reform in 2015. Mexican society needs to become a tireless watchdog if we want anticorruption efforts to succeed."

A James Bosworth, founder of Hxagon and author of Bloggings by Boz: "Mexico's politicians, particularly the governing PRI, know that Mexican voters are angry about corruption and want action. Their actions on corruption are a self-interested attempt to regain some support prior to next year's general elections. In a recent poll by Reforma, 79 percent of citizens said President Enrique

Peña Nieto has done a poor job on fighting corruption. On top of missing the deadline for anticorruption rules, the government has recently faced criticism for using foreign spyware to target political opponents and

“The same scandal that has led to numerous prosecutions in Colombia and Peru has so far gone nowhere in Mexico.”

— James Bosworth

human rights activists. The government extradited former Veracruz Governor Javier Duarte, whose corruption and human rights abuses have been well detailed in the media, but the initial evidence brought by prosecutors has been weak. In the background, the Odebrecht scandal hangs over Mexico. The same scandal that has led to numerous prosecutions in Colombia and Peru has so far gone nowhere in Mexico, and there are real concerns that it will reveal a network of corruption and bribery in infrastructure contracts that spreads well beyond the Brazilian construction company."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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