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FEATURED Q&A

Have Scandals Led to New Efforts to Fight Corruption?



Ecuadorean Vice President Jorge Glas was jailed last year in connection with the Odebrecht scandal. // File Photo: Ecuadorean Government.

Q The multi-country Odebrecht corruption scandal has led to the ouster and imprisonment of the vice president of Ecuador, allegations that nearly toppled the president of Peru, and accusations against other prominent politicians including former Brazilian Presidents Luiz Inácio Lula da Silva and Dilma Rousseff and current President Michel Temer. Has the wide-reaching Odebrecht scandal changed the seriousness with which Latin American countries pursue and punish corrupt politicians and business executives? Has the Odebrecht scandal led to new lasting commitments across the region to get graft under control, or will it soon be back to business as usual? Which countries are succeeding in their efforts to clean up corruption, and which are lagging behind, and why?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "The Odebrecht scandal has cast a needed spotlight on the pervasive political corruption infecting Latin America. In a few countries, it has prompted stepped-up efforts to investigate and prosecute the culprits, a welcome sign of the growing disgust with crooked politicians and governments. It is, however, premature to suggest the region is on the way to cleaner politics. No country has been more aggressive than Brazil in battling corruption. In recent years, its judiciary has investigated powerful politicians, senior government officials and corporate CEOs—and put many of them behind bars. Now entangled in politics, the anti-corruption drive may be losing momentum. Congressional majorities, backed by the business community, have blocked investigations of President Temer

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The initial public offering is planned for the first half of this year.

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Colombia, Brazil Tighten Borders as Venezuelan Refugees Pour In

Colombia and Brazil announced new measures to tighten their borders as thousands of Venezuelans have flooded in, seeking refuge from their country's severe economic crisis. Colombian President Juan Manuel Santos blamed the policies of Venezuelan President Nicolás Maduro.

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Santos // File Photo: Colombian Government.

POLITICAL NEWS

Colombia, Brazil Tighten Borders as Venezuelans Pour In

Colombia and Brazil tightened their border controls on Thursday as thousands of Venezuelans have fled the crippling economic crisis in their home country, which is beset by shortages of food, medicine and other basic goods. "Colombia has never before experienced a situation like this," President Juan Manuel Santos during a visit to Cúcuta, a border city that is the main

“ I want to reiterate to President Maduro: This is the result of your policies.”

— Juan Manuel Santos

receiving center for migrants from Venezuela, The Guardian reported. Some 96,000 Venezuelans entered Colombia legally in November, more than twice the number from the same month a year earlier, Bloomberg News reported. During the visit, Santos announced new measures that would make it more difficult for Venezuelans to cross the border illegally or remain in Colombia without proper documents. Colombian migration agents will no longer issue Venezuelans temporary border-crossing cards, which have already allowed 1.5 million Venezuelans to enter Colombia in order to purchase food and medicine, the Associated Press reported. All Venezuelans in Colombia will also be required to enroll in an official registry. Colombia also plans to dispatch more than 2,000 additional military officers to patrol the hundreds of dirt road border crossings along its 1,370-mile long border with Venezuela. Additionally, Colombia will establish a new migration patrol unit to police public areas where Venezuelan migrants congregate in order to control issues that have arisen, such as

prostitution. Santos said that Colombia wants to aid needy Venezuelans and plans to open a migrant center that will be able to provide aid to some 2,000 people. "Venezuela was very generous to Colombia when Colombians went in search of a better life," said Santos, referring to the migration of more than one million Colombians who fled into Venezuela decades ago during Colombia's armed conflict. "We should also be generous to Venezuela." Santos added that migration from Venezuela to Colombia must be conducted safely and legally. Santos also blamed Venezuelan President Nicolás Maduro for the crisis. "This is a tragedy," said Santos. "And I want to reiterate to President Maduro: This is the result of your policies." Brazil also announced on Thursday that it would tighten its border by sending additional troops to frontier regions. "This is a humanitarian drama. The Venezuelans are being expelled from their country by hunger and the lack of jobs and medicine," Brazilian Defense Minister Raul Jungmann said during a visit to Boa Vista, which lies on Brazil's border with Venezuela, The Guardian reported. "We are here to bring help and to strengthen the border." Brazilian officials also plan to relocate to other cities and towns in Brazil's interior the thousands of Venezuelan migrants who have overwhelmed social services agencies in border areas.

BUSINESS NEWS

AT&T to Offer Stake in DirecTV Latin America

Dallas-based telecoms provider AT&T has filed documents for an IPO for a minority stake in DirecTV Latin America, which will separate most of its Latin America operations from its main business, the company said Wednesday, The Wall Street Journal reported. The IPO is set to take place in the first half of this year. The Latin America unit of DirecTV includes millions of television subscribers in the Caribbean and South America that the company acquired through the purchase of DirecTV in 2015, as

NEWS BRIEFS

Trump Meets With Guatemala's Morales

U.S. President Donald Trump on Thursday met in Washington with Guatemalan President Jimmy Morales. Trump thanked Morales for his support of his decision to move the U.S. embassy in Israel to Jerusalem, and also for Morales' decision to move the Guatemalan embassy to Jerusalem. Trump also emphasized the importance of working together to stop illegal immigration to the United States from Guatemala, as well as addressing issues of security and prosperity in Guatemala. The two leaders met at the Washington Hilton hotel before attending the National Prayer Breakfast.

Folha de S.Paulo to Stop Posting to Facebook

Folha de S.Paulo, the largest-circulation newspaper in Brazil, said Thursday it will stop posting new content to Facebook because overhauls to the social-media giant's news feed algorithms last month will prioritize personal interactions over professional journalism. Facebook's move "reinforces the trend in which users consume more and more content that reflects their own views, thus creating opinion bubbles that only favor their own convictions, not to mention the propagation of fake news," Folha said. The paper has a circulation of more than 300,000, according to Statista.

Brazil's Lower House Speaker Wants Vote on Eletrobras Bill By April

The speaker of Brazil's lower house, Rodrigo Maia, on Thursday said he wants the chamber to vote by April on a bill that contains rules for how to privatize state power company Centrais Elétricas Brasileiras, or Eletrobras, Reuters reported. Last year, Brazilian President Michel Temer issued a provisional decree that changed the law to allow the government-run power provider to be privatized.

well as a 93 percent stake in Sky Brazil, a satellite provider. Before filing the IPO, AT&T had spent months searching for a buyer for its Latin America operations, according to a person familiar with the process. The Latin America division had 13.6 million connections and generated nearly \$5.5 billion in revenue last year. It is estimated that the IPO, which would not include AT&T's Mexican cell phone and satellite-TV operations, could bring in about \$10 billion. Though AT&T executives call its Mexico operations a priority, they do not seem as optimistic about operations in other parts of Latin America. "When AT&T first announced the acquisition of DirecTV, the management team seemed most optimistic about Brazil," BTIG analyst Walt Piecyk said last year in a research note. "The currency and commodity meltdowns as well as billing issues in Brazil [have since] shifted AT&T's Latin American story to Mexico," he added.

ECONOMIC NEWS

Argentina Defends Economic Ties With China, Russia

Argentina on Thursday defended efforts to strengthen ties with China and Russia in the face of statements from U.S. Secretary of State Rex Tillerson that Latin America did not need "new imperial powers," in reference to its ties with the two countries. A good trading relationship with Russia and China "does not generate a conflict," said Argentina's secretary of international economic relations, Horacio Reyser. "There may be some opportunity to grow trade with Russia, just as we can improve our trade with China and also receive investments from Russia and China." Tillerson, during a five-nation tour of the region last week, drew criticism when he said the Monroe Doctrine, which had been invoked to justify U.S. armed intervention in Latin America for more than a century, was "as relevant today as it was the day it was written." Peru's trade minister, Eduardo Ferreyros, also this week defended

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and continually seek to weaken the capacity of judicial authorities to probe and punish graft. Following the failed appeal of his criminal conviction, former President Lula da Silva and his partisans are doing what they can to discredit the courts and stop them

“New anti-corruption measures have sprouted, but most have been implemented half-heartedly or not all.”

— Peter Hakim

from declaring him ineligible for re-election. They contend the judges are biased, and that the crusade against corruption has violated Lula's constitutional rights. Two years ago, Guatemala was lauded for sending its president and vice president to jail on corruption charges. This was the work, however, not of a Guatemalan institution, but of a special U.N. agency, which the current president, himself enmeshed in scandal, is desperately trying to shut down. Few other governments have done much at all. Most turn a blind eye, or openly protect, corrupt political and busi-

his country's engagement with China, citing a \$2.74 billion trade surplus with Beijing last year. China has also become the top trading partner for Brazil and Chile.

Mexico's Central Bank Hikes Key Rate by Quarter Point

Mexico's central bank raised its overnight rate by a quarter point to 7.5 percent on Thursday, pushing the key rate to a nine-year high, The Wall Street Journal reported. The unanimous decision to increase interest rates came amid

ness leaders, keeping them immune from prosecution. Criminal courts are notoriously corrupt across the region. New anticorruption measures have sprouted, but most have been implemented half-heartedly or not all. In Mexico and Honduras, newly established institutions have been left without needed resources, authority, or independence to fight corruption. Although Odebrecht's criminal activities extended to some dozen nations, only Brazil uncovered the crimes on its own. Only after a media frenzy around the Odebrecht revelations were investigations launched elsewhere. Few of them, however, have progressed very far. Corruption and politics remain deeply intertwined in all but a few countries of Latin America."

Alejandro Salas, regional director at Transparency International: "The investigation around the Petrobras/Lava Jato corruption case, which involves large Brazilian construction companies like Odebrecht operating throughout Latin America, has showed that the powerful and influential individuals in the region can no longer get away with corruption as easily as they did in the past. This is important. However, the prosecution of some high-profile and powerful individuals doesn't translate automatical-

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high inflation and expectations that the U.S. Federal Reserve may raise interest rates at a faster clip than previously expected. In a policy statement, Banxico left open the possibility of additional rate increases, saying it "will act in a timely, firm way to keep inflation expectations anchored." Some analysts see the move as a signal from new chief Alejandro Díaz de León and new board member Irene Espinosa that they will stay committed to fighting inflation in the country. "We suspect that today's hike was the final move in the tightening cycle, but given recent swings in currency markets it clearly won't take much to persuade policy makers to move again," said the chief emerging-markets economist at Capital Economics, Neil Shearing.

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ly into better governance or a sustained and effective anti-corruption strategy. There is no single action that will curb corruption by itself. Ending impunity in corruption cases is a step, but can only translate into an effective and sustained anticorruption strategy if bringing the corrupt to face justice is done in parallel to the implementation of policies that prevent corruption, so it does not happen in the first place. Of no less importance for anticorruption efforts is that people can demand accountability, that victims are able to report corruption and that journalists are free to investigate and report corruption without fear of retaliation, which in the region, in places like Mexico, Honduras and Brazil, include murder. An end to impunity, as the Odebrecht case is showing, is welcome but will only be effective as a strategy to curb corruption in the region if it goes hand in hand with prevention mechanisms and people participation. Unfortunately, there are no clear leaders in the region in terms of this holistic approach to fighting corruption.”

A **Gene Smith, president and CEO of Smith Brandon International:** “Corruption must first be acknowledged, then be addressed. At the turn of the century, anti-bribery conventions such as the 1996 Inter-American Convention against Corruption, and the 2003 U.N. Convention against Corruption were applauded and ratified across Latin America and Brazil. However, conventions are agreements, subject to local application. While strong in theory, enforcement was lax. More recently, new anti-corruption legislation has been enacted locally that is broad in coverage and stern in its penalties. Notable examples include Mexico’s 2017 General Law of Administrative Responsibility and Brazil’s 2013 Clean Company Act. Additional laws have been enacted in Argentina (2017), Colombia (2016), and Peru (2017). Meanwhile, an aggressive U.S. Department of Justice has pursued far-reaching enforcement

of U.S. anti-bribery laws, specifically, the Foreign Corrupt Practices Act (FCPA); additional civil enforcement is conducted by the U.S. Securities and Exchange Commission. The unspoken issue: regardless of whether local governments address corruption, enforcement efforts from abroad can be expected to continue. For years, Odebrecht was a

“**Enforcement efforts from abroad can be expected to continue.”**

— Gene Smith

powerhouse in Latin America. Its operations frequently involved bribery. But the unveiling of its corruption has had a profound impact across the region, a true wake-up call. Other companies recognize this; citizens have seen it in their daily lives. Companies need to be alert in order to avoid possible entanglements with corrupt partners. Entering a new business relationship or a new market always requires proper due diligence. Indices like Transparency International’s rankings can provide starting points. For 2016, TI rankings of major U.S. trade partners in the region include: Mexico (number 3 in trade with the United States and number 123 on corruption); Brazil (number 12 on trade and 79 on corruption); and Colombia (26 on trade and 90 on corruption). But while desktop research is a good place to start, it is only the first step for companies seeking strong, sustainable business.”

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org



Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
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