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FEATURED Q&A

Is Corruption a Major Problem at Uruguay's ANCAP?



Lawmakers accepted Raúl Sendic's resignation last year amid corruption accusations involving his tenure as head of state oil company ANCAP. // File Photo: midimici2 via Creative Commons license.

Q An Uruguayan prosecutor in March asked for formal charges against former Vice President Raúl Sendic, who resigned last year amid corruption accusations stemming from his tenure as head of state oil company ANCAP. Sendic denies wrongdoing. Prosecutors are also seeking charges against eight other senior officials at ANCAP and its subsidiaries. Does ANCAP have a corruption problem? What measures are being taken to safeguard against future corruption allegations at the energy company? What is the outlook for Uruguay's energy sector, and what factors are most shaping its future?

A Sergio Abreu, president of the Uruguayan Council for Foreign Affairs and former senator and minister of foreign affairs of Uruguay: "Vice President Sendic lied about his academic degree. While he headed the National Administration of Fuels, Alcohol, and Portland (ANCAP), he created dozens of corporations that are not supervised by the Court of Auditors. During his administration, ANCAP's losses amounted to around \$1 billion. Sendic spent thousands of dollars using an ANCAP corporate credit card and was forced to resign. The attorney general requested his prosecution and that of other directors and managers as well, on several charges. The former economy minister and the former president of Banco de la República during the Mujica administration were prosecuted in connection with a scandal at an airline, which also involved ANCAP. President Vázquez declared that Sendic has suffered from bullying and that his party, Frente Amplio, supports him. Mujica claims that political decisions are above

Continued on page 3

TODAY'S NEWS

POLITICAL

Havana to Host Colombia-ELN Peace Talks

Peace negotiations between the Colombian government and the National Liberation Army, or ELN, rebels will move to the Cuban capital this week. The talks had been held in Quito, but Ecuadorean President Lenin Moreno suspended his country's role.

Page 2

ECONOMIC

Argentina Hikes Key Interest Rate to 40 Percent

The central bank increased its benchmark interest rate for the third time in eight days.

Page 3

POLITICAL

U.S. Ending TPS for Honduran Immigrants

The administration of U.S. President Donald Trump announced it was ending Temporary Protected Status for Honduran immigrants. Hondurans will have until January 2020 to arrange another legal immigration status or leave the United States.

Page 2



Trump // File Photo: White House.

POLITICAL NEWS

United States Ends TPS for Honduran Immigrants

The administration of U.S. President Donald Trump announced Friday that it was ending Temporary Protected Status for tens of thousands Honduran immigrants, The Wall Street Journal reported. Some 57,000 Hondurans have been granted TPS, which has allowed them to live and work in the United States since 1999, a year after Hurricane Mitch tore through the Central American country. The Hondurans who are still in the United States under the humanitarian program will have 20 months—until Jan. 5, 2020—to either leave the United States or arrange another legal immigration status. “Since 1999, conditions in Honduras that resulted from the hurricane have notably improved,” the U.S. Department of Homeland Security said in announcing the end of the program. “The Secretary determined that the disruption of living conditions in Honduras from Hurricane Mitch that served as the basis for its TPS designation has decreased to a degree that it should no longer be regarded as substantial.” Earlier this year, the Trump administration announced it was ending TPS for Salvadoran immigrants. Last year, it announced the end of the program for Haitians and Nicaraguans living in the United States. Trump has repeatedly vowed to crack down on illegal immigration by pledging to deport immigrants living illegally in the United States. He has also clamped down on legal immigration by proposing new cuts on visa programs. Altogether, his administration has ended TPS protection for citizens of half of the countries to which it was originally granted. On Friday, the government of Honduran President Juan Orlando Hernández expressed regret following the latest U.S. decision. The Central American country’s foreign relations ministry called TPS a sovereign matter for the United States to decide, but added, “we deeply lament it,” The Washington Post reported. Hernández’s government added that Hondurans “always will be

welcome in their homeland, where they will be received with open arms.” The government said returning Hondurans’ “reintegration into our society will be facilitated.” The Trump administration has said TPS was never designed to grant long-term residency to citizens of other countries. However, critics have said immigrants who have been living in the United States under TPS face continued strife, including political violence in their homelands. “Honduras has not become more safe, it has become more dangerous in the past six months,” Geoff Thale, vice president for programs at the Washington Office on Latin America, told The Wall Street Journal. [Editor’s note: See related [Q&A](#) in the Jan. 17 issue of the Advisor.]

Havana to Host Colombia’s Peace Talks With ELN

Peace negotiations between the Colombian government and the National Liberation Army, or ELN, will be moved to Havana, the two groups announced in a joint communiqué on Saturday, El Tiempo reported. The announcement came after Ecuadorean President Lenín Moreno on April 18 suspended his country’s role as host and guarantor of the talks, saying Ecuador would not host the talks until the ELN ceased “terrorist actions.” Colombian President Juan Manuel Santos said in a press conference Saturday that the talks will begin in Havana this week. Santos said that the sixth round of talks “will restart initially in Cuba ... and we hope from there to advance very quickly.” Cuba, one of five nations to offer to host after Ecuador pulled out of the talks, also played host to Colombia’s peace negotiation with the Revolutionary Armed Forces of Colombia, or FARC, rebel group. Colombia reached a peace deal with the FARC in 2016. The FARC peace accord, which gave the former rebel group automatic representation in congress and allowed it to compete in elections, has been criticized by many in the run-up to Colombia’s May 27 presidential election. Leading candidate Iván Duque said at an event at the Inter-American Dialogue in March that he would cease negotiations with

NEWS BRIEFS

At Least One Injured, Several Homes Destroyed as Quakes Hit El Salvador

At least 383 earthquakes rattled El Salvador this weekend, leaving at least 183 homes damaged or destroyed, Salvadoran newspaper El Diario de Hoy reported. At least one minor was injured during the quakes, which caused several mudslides and has led to school closures in the affected areas. The magnitude of the earthquakes ranged from 2.4 to 5.6 on the Richter scale. The director of the Civil Protection ministry has asked Salvadorans not to travel by road through the affected areas, fearing further damage.

JCB Co. Begins Issuing Credit Cards in Brazil

Tokyo-based credit card issuer JCB Co. has started issuing cards in Brazil in partnership with state-run bank Caixa Econômica Federal, Japan’s Jiji Press news agency reported today. The move makes Brazil the 23rd country where JCB issues credit cards and the first in Latin America. JCB hopes to issue one million credit cards in Brazil over the next five years. The country currently has some 500 million credit and debit cards in circulation.

Brazil’s Energisa Withdraws Offer to Buy Eletropaulo

Brazilian energy firm Energisa on Saturday withdrew its bid to buy power distributor Eletropaulo, Folha de S.Paulo reported. The company had offered just 19.38 reais per share in its bid for a full takeover of Eletropaulo, trailing Italy’s Enel and Spain’s Neoenergia, which offered 32.20 and 32.10, respectively. Brazilian officials announced last week that they were pushing back the date for a live auction from May 18 to June 4. Eletropaulo distributes power to the city of São Paulo, Brazil’s largest metropolitan area.

the ELN until the group stopped all military activity. Colombia and the ELN have been at war for over 50 years, and the two sides' last cease-fire ended in January.

ECONOMIC NEWS

Argentine Central Bank Hikes Key Interest Rate to 40%

Argentina's central bank on Friday extended its unexpected scramble to protect the battered peso currency into a second week, raising its benchmark interest rate for the third time in eight days in the face of what could become a full-blown financial crisis, The Wall Street Journal reported. The central bank raised its key rate by 6.75 percentage points Friday, following two previous increases of 3 percentage points. "Finally, these guys are acting in a way that is meaningful and impactful and will stop the currency run," said Daniel Kerner, managing director for Latin America at Eurasia Group. While most economists praised the bank for taking action, the prospects for economic growth are now more uncertain, with a policy rate now at 40 percent. Almost immediately upon taking office in 2015, analysts remarked that the administration of President Mauricio Macri and its pro-business agenda needed to move quickly to right the economy or be voted out of office. Argentina now finds itself in an "unenviable race between the urgent need to re-establish policy credibility and the destabilizing effects of ultra-high interest rates on the economy, financial system and debtors," Mohamed A. El-Erian, the former CEO of investment firm Pimco, wrote in a column for Bloomberg News Sunday. "The longer it takes to win this race, the greater the risks to Macri's economic reform program and the greater the likelihood of recession, self-feeding vicious debt dynamics and additional financial turmoil with adverse spillovers to other vulnerable emerging economies." [Editor's note: See [Q&A](#) on Argentina's economy in the April 17 issue of the Advisor.]

BUSINESS NEWS

Chairman of Venezuela's Banesco Blasts Gov't Takeover

The chairman of Venezuelan bank Banesco on Friday decried the government's 90-day takeover and arrest last week of 11 executives on charges of criminal association and money laundering, Reuters reported. "There are no financial reasons to justify an administrative intervention—not for one day, much less for 90," wrote Banesco Chairman Juan Carlos Escotet in a letter posted on Twitter. Escotet said he had flown from Spain, where he resides, to

Caracas in order to help free the 11 executives, who include Executive President Oscar Doval García. President Nicolás Maduro said last week that regulators were cracking down on banks for currency manipulation and accused Banesco of speculating on the exchange rate and smuggling paper money out of the country. Authorities froze about 1,000 accounts at the bank, which has eight million clients, Bloomberg News reported. Many Venezuelans worry the government wants to gain control over remittances sent home by Venezuelan migrants, who have fled the country by the hundreds of thousands in recent years. Escotet urged customers to continue banking at Banesco despite the takeover. Hyperinflation has diminished Venezuelan banks' holdings to a total of \$40 million, according to Reuters.

FEATURED Q&A / Continued from page 1

the law. This is a populist government that appears capitalist in the way it collects taxes and socialist in its out-of-control spending. This has resulted in a fiscal deficit of almost 4 percent, a tax burden above 30 percent of GDP, an unemployment rate of 8 percent and the highest foreign debt in Uruguay's history. The lack of transparency and the inefficiencies in public administration are worrisome. There is no legal certainty, and transparency and macroeconomic stability are at risk."

A David D. Nelson, CEO of Global Business Policy-DC, LLC and former U.S. ambassador to Uruguay: "Political leaders

throughout Latin America are being rocked by scandals, from Lava Jato in Brazil to the extensive tentacles of Odebrecht, which brought down presidents in Brazil and Peru and numerous senior officials including the former CEO of Pemex in Mexico—not to mention the wholesale looting of PDVSA in Venezuela. Even relatively transparent Costa Rica has been rocked by the 'cementazo' scandal. The central theme of this year's Summit of the Americas was anti-corruption—a response to the demands of the growing and increasingly empowered middle

classes in Latin America. In that context, the case against Raúl Sendic can be viewed as a demonstration of the need for constant vigilance even in a country rated by Transparency International as the least corrupt in Latin

“The case against Raúl Sendic can be viewed as a demonstration of the need for constant vigilance...”

— David D. Nelson

America. The allegations against Sendic and other present and former ANCAP officials are 'small potatoes'—a few thousand dollars of alleged misuse of corporate credit cards to cover personal expenses. Perhaps the most interesting case involves allegations against one of the other officials related to transactions involving PDVSA debt—demonstrating that when you play with matches you are likely to get burned. The 'zero tolerance' for official corruption, even of a relatively minor nature, is a positive symbol for

Continued on page 4

FEATURED Q&A / Continued from page 3

the country and the region. Energy investors in Uruguay, including those in the promising shale opportunities in the 'Norte' basin and the offshore blocks available for exploration, can focus on the geology, the 'below ground' risks, rather than the 'above ground' risk of corrupt demands by government officials."

A **Enrique Puricelli, independent Buenos Aires-based management consultant:** "To understand why the general public perceives ANCAP's senior management to be corrupt, one must take into account that the company is a state-owned monopoly; the prices charged for the products it delivers are the highest in the region and have little to do with market realities, the price of crude oil or allowing the Uruguayan economy to be competitive. In 2016, the government was forced to re-capitalize ANCAP with \$850 million, an exceedingly large sum for a small economy and a large burden on its already overtaxed population. Mr. Sencic's image and credibility, seriously tarnished by this inexplicable affair, received another blow when it was discovered that a university degree in human genetics, which he always maintained to have obtained at the Universi-

ty of Havana, did not exist. Whether anything will come of this is doubtful, since historically the ruling Frente Amplio party has very

“Uruguay's energy situation is looking positive due to heavy investments in renewable resources...”
— Enrique Puricelli

ably covered its tracks in previous scandals, and a popular perception in the region is that the left can do no wrong. However, Uruguay's energy situation is looking positive due to heavy investments in renewable resources, mainly wind farms, which, combined with hydraulic generation, make the country less vulnerable to international oil prices. This trend is expected to continue in the future."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at fretrial@thedialogue.org

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Advisor Video

Protests in Nicaragua: What's Next?

An Inter-American Dialogue Discussion with
Christiana Chamorro, Fundación Violeta Chamorro
Manuel Orozco, Inter-American Dialogue
Peter Hakim, Inter-American Dialogue

View a webcast of the May 4 discussion.

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