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## FEATURED Q&A

# How Well Is Peru's Gov't Fighting Corruption?



The arrest of Keiko Fujimori, the leader of Peru's Popular Force Party, came just a week after the country's Supreme Court overturned the pardon granted last December to her father, former President Alberto Fujimori. // Photo: TV Perú.

**Q** Peruvian opposition leader Keiko Fujimori was arrested Oct. 10 and detained for a week before being released in connection with an investigation into illicit campaign financing. Nineteen others were detained along with Fujimori, and days later, two of her top advisors were also arrested. Fujimori, the leader of the Popular Force party, has previously denied wrongdoing and has said the allegations against her are politically motivated. Fujimori's arrest came just a week after Peru's Supreme Court overturned the pardon granted last December to Fujimori's father, former President Alberto Fujimori. Are the arrests politically motivated, or do the cases have merit? How will Keiko Fujimori's detention affect Peru's opposition? How well is Peru's government fighting corruption in general?

**A** Katya Salazar, executive director of the Due Process of Law Foundation: "The criminal investigation against Keiko Fujimori for alleged illegal financing of her political party, Fuerza Popular, is part of a broader investigation into money laundering related to the activities of Odebrecht in Peru and the Lava Jato case in Brazil. Fujimori's preliminary detention was aimed at protecting the investigation from external interference and preventing her from fleeing the country. It was not on the merits of the case. However, according to an appeals court, the evidence submitted was not sufficient and thus Keiko was released. Will there be enough evidence to warrant a conviction against her for money laundering at the end of this process? It's difficult to say, but at this point it is clear that Fuerza Popular developed a structure to raise and file funds in violation of the law. Whether this was

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## TODAY'S NEWS

### POLITICAL

## Second Migrant Caravan Heading Toward U.S.

A new group of about 1,500 migrants, mainly Hondurans, headed toward the United States after spending the night in the eastern Guatemalan city of Zacapa. A larger group of migrants continued its journey north in Mexico.

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### ECONOMIC

## Argentina Sees First Trade Surplus Since 2016

The country recorded a \$314 million trade surplus in September, according to the government's statistics agency. The figure reflects a drop in imports after a steep decline in the peso's value.

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### POLITICAL

## Bolsonaro Keeps Lead Ahead of Brazil Election

Far-right presidential candidate Jair Bolsonaro maintained his lead over Fernando Haddad of the Workers' Party, according to a poll released just days before Sunday's vote.

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Bolsonaro // File Photo: Bolsonaro Campaign.

## POLITICAL NEWS

## Second Migrant Caravan Moving Toward United States

A second large group of Central American migrants, mainly Hondurans, is headed north on a trek to the United States, Guatemalan newspaper *El Periódico* reported today. The new caravan, of about 1,500 people, passed through the eastern Guatemalan city of Chiquimula on Monday and spent Tuesday night in the city of Zacapa. "We know this won't end in a few days, and will be a long process of migration," Mauro Verzeletti, director of Casa del Migrante, a Guatemala City migrant shelter, told Reuters. The shelter had aided more than 11,000 people in the past week, said Verzeletti. The second caravan set off for the United States as a larger group, which has angered U.S. President Donald Trump, continued its journey north through Mexico. The original group, also mainly Hondurans fleeing poverty and violence in their country, on Tuesday was in the town of Huixtla in Chiapas State. Mexico's government has said the group includes about 4,500 people and added that as of Tuesday it had received 1,699 requests for refugee status. Trump has vowed to begin cutting millions of dollars in aid to Honduras, Guatemala and El Salvador, saying the countries are failing to stop people from trying to migrate illegally to the United States. Trump and other Republicans have made the mass migration a campaign issue just ahead of the U.S. midterm congressional elections on Nov. 6. The election will determine whether the Republicans retain control of the Senate and House of Representatives. Trump and other conservatives have claimed that "criminals and unknown Middle Easterners" were among the migrants in the caravan but have presented no evidence to support those claims. The assertions have not been corroborated, an unnamed U.S. counterterrorism official told Reuters. The official said U.S. authorities have been searching for signs that militants have inserted themselves into the caravan, but have found no evidence of that.

## ECONOMIC NEWS

## Argentina Registers First Trade Surplus Since December 2016

Argentina had a trade surplus of \$314 million in September, the country's official statistics agency said on Tuesday. It is the first surplus the South American country has registered in 20 months, since December 2016, but the figure reflects a significant drop in imports after the Argentine peso's value was more than halved against the U.S. dollar so far this year, Perfil reported. Imports in September declined by 21.2 percent, while exports fell just 4.8 percent, compared to a year ago. "The trade surplus in September was the first sign of the expected trade and current account adjustment following the large currency devaluation



Ramos // File Photo: Goldman Sachs.

and sharp slowdown in investment spending," Goldman Sachs economist Alberto Ramos said in a research note, Reuters reported. Economists, including at Argentina's finance ministry, expect the trade surplus trend to continue as a more competitive peso benefits exporters, Los Andes reported. The country has an overall trade deficit of \$6.5 million so far this year, larger than last year's \$5.1 million during the same period. Earlier this year, Argentina suffered a sharp blow to its exports as the worst drought in 60 years hit the agriculture sector, dragging the economy into recession. The Buenos Aires Grains Exchange said last month that it expects favorable weather conditions to help bring record harvests next year, which could also contribute to a continued trade surplus, Reuters reported.

## NEWS BRIEFS

## Willa Makes Landfall on Mexico's Pacific Coast as Category 3 Hurricane

Hurricane Willa made landfall Tuesday night as a category 3 hurricane, pounding Isla del Bosque, south of Mazatlán, with maximum sustained winds of 120 miles an hour, NPR News reported. The storm, which struck land at 7 p.m. local time, was downgraded to a tropical depression as it moved inland and weakened. However, a "life-threatening storm surge, wind and rainfall" persist, the U.S. National Hurricane Center said. Mexican officials said there were power outages and damage to flimsy buildings, the Associated Press reported.

## Bolsonaro Maintains Lead Ahead of Brazil Election

Brazilian far-right presidential candidate Jair Bolsonaro leads the race five days ahead of the runoff vote scheduled for Sunday, Globo reported. The latest Ibope poll, released Tuesday, shows the former army captain with 57 percent support among valid votes, and Fernando Haddad of the Workers' Party with 43 percent support. Bolsonaro saw a two-percentage point drop compared to the previous poll, but the new survey's margin of error is also two percentage points.

## Alibaba's Ant Financial to Buy Stake in Brazilian Card Processor StoneCo

Ant Financial, an affiliate of Chinese billionaire Jack Ma's Alibaba, has agreed to buy \$100 million in shares in Brazilian card processor StoneCo's initial public offering, Reuters reported Monday. The Brazilian company's IPO has also drawn interest from Warren Buffett's Berkshire Hathaway, according to two unnamed sources, the wire service reported. Such major investors have helped boost interest in StoneCo's IPO, which could raise up to \$1.1 billion. StoneCo is expected to price its IPO on Thursday.

## BUSINESS NEWS

## FEATURED Q&amp;A / Continued from page 1

## Visa Announces Investment in Brazil's Conductor

Visa on Tuesday announced it is making a minority investment in Brazilian digital payments server Conductor, a move designed to help it accelerate the growth of payment innovation in the South American country, Visa said in a statement. Conductor, a platform that allows retailers, banks and other companies to issue cards and digitize payments, has roughly 100

**Visa's market share in Brazil has declined in recent years, but the company wants to reverse that trend.**

customers and 135,000 commercial establishments across Brazil, Valor Econômico reported. It started out as a card-processing business 20 years ago, but the company has grown fourfold since private equity fund Riverwood Capital invested in it in 2014. Conductor and Visa plan to develop solutions for payments via mobile wallets, improving access to Visa applications and expanding digital payment services in small- and medium-sized businesses, among others. "Through our investment in Conductor, we are reinforcing our commitment to significantly invest in attractive fintechs and key digital enablers from Latin America and the Caribbean," Ruben Salazar, senior vice president of products and innovation at Visa Latin America & Caribbean, said in the statement. Fernando Teles, Brazil's country manager at Visa, earlier this month said he was aiming to boost the company's market share in the South American country. In 2010, Visa handled approximately half of all card transactions in Brazil, but by last year had only 36 percent of the market share, according to central bank data.

just a small-scale scheme of illegal financing or a component of a highly sophisticated mechanism of money laundering, only the investigation of brave prosecutor José Domingo Pérez can say. The arrest of Fujimori—now released but with a new request for preventive detention to be evaluated in the coming days—has demonstrated the internal tensions between members of Fuerza Popular but also the level of corruption of the Peruvian judiciary. A Supreme Court justice allegedly involved in a larger network to sell and exchange judicial decisions and support Keiko has fled and requested asylum in Spain. Politics in Peru currently looks more like a crime series. But it also shows that in spite of the daily surreal events, Peruvian institutions have the strength to overcome them and move forward. President Vizcarra is making the right decisions, several judges have been detained or removed from their positions, and the new head of the judiciary is an honest judge and academic. It's our responsibility to keep monitoring the situation and not dismay."

**A** **Francisco Durand, professor of political science at the Catholic University of Peru:** "Peru is going through a period of presidential banditry where all elected presidents (Fujimori, Toledo, García, Humala, Kuczynski) are being accused or investigated for alleged bribery, money laundering or conflicts of interest. Keiko Fujimori, the 2011 and 2016 presidential candidate, joins the infamous list and runs the risk of being jailed again, together with her inner circle. All these politicians, invariably, claim to be 'persecuted' but the cases are not baseless. The corruption scandals fueled by Lava Jato revelations and audio recordings that detected a corruption ring inside the judicial system protected by politicians divides the political class. President Vizcarra and the executive branch, the corporate media, even the left, and the 'moral reserve' of the nation are leading the struggle to clean up

the judicial system and proceed with the investigations. Keiko Fujimori and APRA, who control Congress, claim political motivations and try to block the investigations. Keiko is alleged to have received \$1.2 million under the table from Odebrecht and is accused of laundering the money using party militants to make false donations. The case is strong, but the question is whether it can be legally considered money laundering by a criminal organization led by Keiko. The fight has now moved to the chief prosecutor's office, led by Pedro Chávary, who enjoys Keiko's support and remains in office despite Vizcarra's attempt to force his resignation. Chávary is openly sabotaging ongoing investigations, the Keiko case in particular. In the meantime, the public, sick of revelations of judicial corruption, supports Vizcarra. The president enjoys strong approval ratings, while Keiko's are rapidly declining. So far, the power struggle has no clear results, but thanks to public opinion trends and media coverage on scandals, the correlation is moving in Vizcarra's favor."

**A** **Julio Carrión, associate chair of the political science and international department at the University of Delaware:** "Peru's politics are at a crossroads. A criminal investigation fortuitously uncovered a vast network of corruption inside the higher echelons of the judiciary, implicating not only members of the Supreme Court but also the body in charge of appointing judges. The media report that the current attorney general, Pedro Chávary, was the preferred candidate of this network, which wanted someone who would not meddle in their affairs. Many, including President Vizcarra, are demanding his resignation, but he has refused. The criminal investigation also revealed close ties among corrupt judges and some prominent members of the fujimorista and aprista parties. On the plus side, it is clear that some members of the judiciary and the office of the attorney general are

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determined to clean house. Keiko's arrest, while surprising, was not politically motivated. It was consistent with the procedure that led to the provisional detention of former President Ollanta Humala and his wife, who spent nine months in prison. The same judge who ordered their detention also ordered Keiko's arrest. When Humala was detained, Keiko tweeted that the action demonstrated the independence of the judiciary. President Vizcarra has found that leading the fight against corruption is politically advantageous to him (his popularity shot up 16 points in the last month). The forces that are fighting to end corruption in the judiciary and the nefarious practice of using undeclared funds in electoral campaigns have found a powerful ally. Nevertheless, it is early to tell whether this anti-corruption campaign will have enduring consequences. The Fujimoristas continue to have the largest bloc in Congress, and they still have the capability of blocking legislation. But they are weakened. Keiko's popularity has fallen precipitously in the last year, from the low 40s to the low teens, and her congressional representation is in disarray and smaller, as resignations are mounting."

**A** **Augusto Álvarez-Rodrich, daily columnist on political affairs at La República:** "The judicial process involving Keiko Fujimori has no political motivation, if this means an organized persecution for political purposes by a political group. It would be difficult to organize a political persecution of a party like Fuerza Popular, which has about half of the votes in Congress and, thanks to covert agreements with some parliamentarians, has more than a majority. Keiko Fujimori is under investigation because there are very strong

indications that she received illegal financing from Odebrecht for her 2011 presidential campaign. Others were also imprisoned, including former President Ollanta Humala, who, along with his wife, was in jail for almost a year for the same reason. In addition, Fujimori's problem is the disclosure, some months ago, of a set of audio recordings that revealed deep corruption in the judicial

“**The judicial process involving Keiko Fujimori has no political motivation...**”

— Augusto Álvarez-Rodrich

system that has been linked to politicians of two parties: Fujimori's Popular Force and former President Alan García's APRA. The new president, Martín Vizcarra, made corruption the central theme of his political agenda. He has launched some important but insufficient efforts to fight corruption, including a referendum for a constitutional reform in political and judicial matters. What is evident is that while Vizcarra is trying to promote an incipient fight against corruption, the Popular Force and APRA parties, which dominate Congress, are opposed to it. As a result, President Vizcarra's approval rating is now over 60 percent, while Fujimori's does not exceed 10 percent."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [vkuleta@thedialogue.org](mailto:vkuleta@thedialogue.org).*

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