LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Tuesday, December 6, 2016

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Devry Boughner Vorwerk
Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter
Former Partner,
E.M. Warburg Pincus

Dirk Donath
Senior Partner,
Catterton Aimara

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President, Boeing Latin America

Jon Huenemann
Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones
Chairman, ManattJones
Global Strategies

Craig A. Kelly
Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto
Director, U.S. Education
Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
Chairman,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty
Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo
Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

THEDIALOGUE

FEATURED Q&A

Will Jovenel Moïse Lead Haiti to a Brighter Future?

Jovenel Moïse won a first-round victory last month in Haiti's presidential election. // File Photo: Moïse Campaign.

Q Jovenel Moïse, the candidate who had the backing of former Haitian President Michel Martelly, won the country's presidential election in the first round, officials announced Nov. 28. If the results are not successfully challenged, Moïse will become president without the need for a runoff. Does Moïse have a strong mandate to govern? What are the most pressing issues he faces as president? Will Moïse, a banana exporter, be able to make good on his vows to make Haiti self-sufficient in terms of food while also tackling corruption and overhauling the economy? What are the biggest threats facing Haiti, and what are the main reasons for optimism?

A Bob Maguire, professor of the practice of international affairs at The Elliott School of International Affairs at The George Washington University: "Preliminary results indicate that in an election widely praised (at least so far) in and beyond Haiti as well-run, Jovenel Moïse won Haiti's presidency impressively with 55.5 percent of the votes, enough to win in the first round, assuming his margin of victory withstands challenges launched by other candidates. The fact that Haitian authorities organized, paid for and thereby 'owned' this election is perhaps Haiti's greatest cause for optimism particularly in terms of strengthening democratic practice. Hopefully, the next president will reinforce this praise and optimism by ensuring that elections due during his five-year term are transparent, well-run and on-time. Collaboration among the new president, elected parliamentarians and Haitian civic leaders to create a truly independent, permanent election council would be a great accomplishment for the

Continued on page 3

TODAY'S NEWS

BUSINESS

Deloitte's Brazil Affiliate to Settle U.S. Allegations

Deloitte's Brazilian affiliate on Monday agreed to pay $8 million to settle allegations by a U.S. regulator that it issued false audit reports and then engaged in a cover-up. The fine is the largest ever imposed by the regulator.

Page 2

ECONOMIC

Chilean Economy Contracts in Oct.

Chile's central bank said Monday the economy in October fell by 0.4 percent, contracting for the first time in seven years in annual terms. Manufacturing and mining activity fell sharply.

Page 2

POLITICAL

Brazil Senate Leader Ousted by Supreme Court

A justice on Brazil's Supreme Court on Monday removed the head of the country's Senate, Renan Calheiros, from his post due to charges related to a corruption case. He will remain a serving senator, however.

Page 2

Calheiros // File Photo: Government of Brazil.

COPYRIGHT © 2016, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Brazil Senate Leader Ousted by Supreme Court Justice

A justice on Brazil's Supreme Court on Monday removed the head of the country's Senate from his post due to charges related to a corruption case, the New York Times reported. Marco Aurélio Mello based his ruling on the fact that the Senate leader, Renan Calheiros with the ruling PMDB party, is going to stand trial in a graft case in which a lobbyist paid for the child support of a daughter Calheiros fathered in an extramarital affair. Calheiros, 61, continues with his mandate as a Senator representing the state of Alagoas. The First Vice-President of the Senate, Jorge Vianna with the Workers' Party, will become acting president of the Upper House until the holiday recess begins on Dec. 22, David Fleischer, a professor based in Brasília, wrote in a special edition of Brazil Focus today. Brazil's judiciary and Congress have engaged in a public battle over institutional powers, with legislators asserting that courts have been too aggressive in investigating corruption scandals. Last week, the lower house of Brazil's Congress approved a measure that would help shield legislators from prosecution and weaken public prosecutorial authority. Thousands of Brazilians took to the streets across the country on Sunday to protest the moves in Congress.

ECONOMIC NEWS

Chilean Economy Contracts in October

Chile's central bank said Monday that economy activity in October fell by 0.4 percent, contracting for the first time in seven years in annual terms, Reuters reported. Manufacturing and mining activity fell sharply. The latest data could pave the way for the central bank to cut interest rates to spur growth, analysts said. But Finance Minister Rodrigo Valdes said Monday the fall was temporary, EFE reported. "It's a lower figure than might have been expected, but we have to look at it cautiously and not overreact," Valdes said, adding that the November number could be more positive.

BUSINESS NEWS

Deloitte's Brazil Affiliate to Settle U.S. Allegations

Deloitte's Brazilian affiliate on Monday agreed to pay $8 million in order to settle allegations by a U.S. regulator that it issued false audit reports and then engaged in a cover-up, The Wall Street Journal reported. The fine that Deloitte Touche Tohmatsu Auditores Independentes agreed to pay is the largest ever imposed by the regulator, the Public Company Oversight Board, the newspaper reported. In the case, 12 former partners of Deloitte in Brazil and other personnel also were sanctioned, though they did not admit to or deny wrongdoing. As part of the settlement, Deloitte Brazil acknowledged that it failed to cooperate with investigators of the regulatory agency and also violated standards for quality control. In a statement, Deloitte Brazil said "unethical behavior is not tolerated in our firm," adding that the conduct of the people involved was "wholly incompatible with our culture." The firm said it is now under new leadership and added it has "full confidence in the quality of our audits." At issue in the investigation was a 2010 audit of Brazilian airline Gol Linhas Aereas Inteligentes, the regulator said. Among the deficiencies identified, the auditor did not obtain enough evidence that the airline was accounting for maintenance deposits. The firm then altered documents to conceal the deficiencies, and its personnel lied to regulatory authorities after the agency launched an investigation, the regulator alleged. Gol has not been charged with wrongdoing, and the airline said in a statement that there was no indication that it benefited from Deloitte Brazil's alleged actions

NEWS BRIEFS

Consumer Prices Creep Up in Colombia

Consumer prices in Colombia rose 0.11 percent in November compared to the month before, state statistics agency DANE said Monday. The latest data interrupts a sequence of three negative monthly reports driven by food price deflation. Annual inflation continued to moderate to 5.96 percent compared to the year before, down from a high of 8.96 percent in July, Goldman Sachs analyst Alberto Ramos said in a research note circulated today. Tax hikes coming into effect soon will likely increase inflationary pressures in 2017, according to Ramos.

Mexico Governor Calls for U.S. Shopping Boycott

In response to U.S. President-elect Donald Trump's pressure on manufacturer Carrier to keep 1,000 jobs at an Indiana plant, instead of sending them to a factory in Mexico, Nuevo León state Governor Jaime Rodríguez is calling on residents of his state and neighboring Tamaulipas to boycott shopping in two border cities in Texas, Fox News Latino reported Monday. The two cities, McAllen and South Padre Island, are popular shopping destinations for Mexicans living close to the border. "With us not going to McAllen for 15 days, Trump will change his opinion," Rodríguez said.

Cemex Makes Takeover Bid for Trinidad Cement

Mexico's Cemex announced Monday it will make a takeover bid of approximately $89 million for Trinidad Cement, with the goal of increasing its stake in the company to 74.9 percent from the current 39.5 percent, The Wall Street Journal reported. The Monterrey-based cement maker is simultaneously selling assets elsewhere as it looks to pay down its debt and recover the investment-grade ratings it lost in 2009.

COPYRIGHT © 2016, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 1

country, ensuring continued national ownership of elections. Collaboration toward the well-being of Haiti among Mr. Moïse and his rivals would be another great accomplishment and cause for optimism. Collaboration among Haitian political actors is particularly compelling given that only 21 percent of eligible voters bothered to vote. Instilling confidence among disillusioned Haitians that they can go to the polls in peace and have their vote counted is only one part of increasing turnout. Another part is having elected officials who will abandon personal ambition in favor of working indefatigably to yield tangible and sustainable improvements in the lives of citizens coping every day with limited opportunity, structural inequality, politically infused instability and environmental degradation, as well as deficits in health, sanitation, education and food production. Leading Haiti toward this end is Mr. Moïse's biggest challenge."

Raymond A. Joseph, former ambassador of Haiti to the United States: "Declared winner with more than 55 percent of the vote, Jovenel Moïse would appear to have a strong mandate. But with participation said to be 21 percent of six million eligible voters, the nearly 600,000 votes he was assigned represent only 10 percent of the electorate. As his name indicates, he must be like Moses in the Bible, making miracles in having everyone 'pull together,' as he asked in his victory speech. Granted he overcomes the challenge of three candidates who are legally contesting his win, Mr. Moïse will inherit a broken country after Hurricane Matthew's destruction in Haiti's greater south last October, and major damage by torrential rains in the north last month. The president-elect must attend to extreme deforestation that makes Haiti vulnerable to natural disasters. Mr. Moïse's expertise as a banana producer and exporter isn't a positive barometer for Haiti's self-sufficiency in food production. Last year, Agritrans, his company, managed to send only one shipload of bananas to its German contractor. Since Haiti's business sector strongly supported his candidacy, they probably expect to pay little or no taxes for their imports and exports, a major drag on the economy. Corruption may remain constant. Earlier this year, UCREF, a government watchdog unit on corruption, found that Mr. Moïse had deposited more than $5 million of questionable funds, mostly in cash, in 12 different banks. The investigation turned cold in the midst of the electoral campaign. But considering his peasant background, Mr. Moïse could redeem his presidency by instituting programs to benefit that sector, indeed the overwhelming majority of the country."

> **"As his name indicates, he must be like Moses in the Bible, making miracles in having everyone 'pull together'…"**
>
> **— Raymond A. Joseph**

Francois Pierre-Louis, associate professor of political science at Queens College, City University of New York: "Haitian officials estimated that there are about six million registered voters in the country. In the Nov. 20 presidential election, the Provisional Electoral Council (CEP) reported that only 500,000 people voted for Moïse, who was declared the preliminary winner. Since most people did not vote for him, he does not have a strong mandate to govern. Since all the past presidential winners have been contested by their opponents, Moïse will be spending a lot of his time appeasing the opposition instead of tackling the pressing issues the country faces, such as a weak

Continued on page 4

in the case. At the same time, Deloitte's Mexico affiliate agreed to pay the regulator $750,000 to settle allegations that it did not take proper steps in documenting audits. The Wall Street Journal could not immediately reach a Deloitte Mexico representative for comment. In that case, the regulator said Deloitte's firm in Mexico, Galaz Yamasaki Ruiz Urquiza S.C., repeatedly archived its documentation audits late, increasing chances that its records might be altered. The regulator added that three former auditors of Deloitte Mexico improperly altered papers related to an audit of mining company Southern Copper. The firm and the three auditors settled with no admissions or denials of wrongdoing.

BHP Billiton Wins Bid to Partner With Pemex in Trion Field

BHP Billiton won the auction to become Mexican state-run oil company Pemex's first private partner in exploration and production under the 2013 reform of Mexico's oil industry, The Wall Street Journal reported Monday. Billiton won bidding to join Pemex in exploration and production activities in the Trion oil field in the Gulf of Mexico. Billiton out-bid BP on the auction. Though both oil majors offered additional royalties of 4 percent, in addition to the minimum royalty payment of 7.5 percent, Billiton offered Pemex an additional $624 million cash commitment, higher than the $606 million BP offered. Billiton will have a 60 percent stake in the project, and Pemex will have 40 percent. The winning bidder must also make a minimum investment of $570 million. It is expected to cost approximately $11 billion to develop the field, with capital expenditures of $7.4 billion, according to the National Hydrocarbons Commission, Mexico's oil regulator. The contract was the first of 11 auctions of deep-water oil blocks to be announced Monday. Bidding rounds for 10 other deep-water blocks took place the same day. The auction is the fourth since the 2013 opening of Mexico's oil industry, but is the first for deep-water reserves and the first to attract interest from major oil firms.

COPYRIGHT © 2016, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 3

judicial system, chronic unemployment, environmental degradation, drug violence and tax evasion. Since Moïse promised that he will feed the country due to his background as a banana exporter, the population will expect him to address the food shortage right away. Haitian media reported that his campaign was financed by corrupt individuals; it is possible that they will distribute money in the beginning of his administration to stop the street demonstrations that have flared up after the CEP announced the results. In the long term, with the absence of Petrocaribe and no foreign investments, Moïse will be hard-pressed to keep his promises. Once he is unable to keep them, violence will flare up again, and Haiti will sink into a deeper crisis. We hope the opposition will reflect on the reasons it lost and try to present an alternative that can mobilize the electorate to return to the polls."

Margaret Daly Hayes, principal at Evidence Based Research Inc. in Vienna, Va., and professor of security studies at Georgetown University: "Jovenel Moïse won Haiti's presidential vote with 55 percent of votes cast in a field of 27 candidates. The second-place candidate received 19.5 percent and the third 9 percent. No other candidate received even 1 percent of the vote. Moïse also led the vote in October 2015, a vote that was canceled because of allegations of widespread irregularities. Though only 21 percent of eligible voters turned out for the November poll, his substantial lead and repeat performance give him sufficient mandate to govern, if and when the Electoral Council approves the vote. Moïse's biggest challenge will be to begin to create, almost from scratch, a competent government team, with policies, procedures and governance capacity that can lead to a sustainable state and economy. This will have to occur at the central and regional levels at least and begin to reach down to local levels. The government is widely viewed as corrupt, and Moïse will have to address that head-on. It will not be easy. Haiti has survived for decades on donor assistance, while watching growth decline and educated Haitians migrate to the United States, Canada and other parts of the world. It lacks executive capacity, a competent civil service and a culture of good government. Lack of confidence in the government is reflected in the low turnout in the recent elections. Moïse grew up in agribusiness, so understands the challenges of creating sustainable rural employment. He is not likely to see Haiti self-sufficient in food in the span of his first term in office. He may be more successful in expanding the energy sector, where donor grants could support expansion of wind and solar renewable energy. He could seek to restart the light manufacturing that thrived in the 1980s. But all of that will take time. If Moïse can begin to rally the Haitian community—rich, poor and the diaspora—to a new vision of Haiti, a Haiti that works for all Haitians, and if he shows that it can be executed, he will be a game changer."

> **"Moïse grew up in agribusiness, so understands the challenges of creating sustainable rural employment."**
>
> **— Margaret Daly Hayes**

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 © 2016

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

THEDIALOGUE

Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Kevin Casas-Zamora, Director, Peter D. Bell Rule of Law Program
Ramón Espinasa, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Alejandro Ganimian, Nonresident Fellow
Peter Hakim, President Emeritus
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Director, Migration, Remittances & Development
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program

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 freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.