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THEDIALOGUE

FEATURED Q&A

Will Graft Scandals Disrupt the Region's Political Map?

Former Peruvian President Alejandro Toledo is among the former and current political leaders across Latin America accused of wrongdoing, which he has denied through attorneys. // File Photo: World Economic Forum.

Q Revelations about Latin American politicians' alleged involvement in the multi-country Odebrecht bribery scandal have marred reputations and even led to arrests of some of the most powerful political figures in the hemisphere. Testimony from Odebrecht employees may implicate Brazilian President Michel Temer's closest allies, former Peruvian President Alejandro Toledo was ordered to be arrested and investigations have been opened in numerous other countries, including Colombia, Panama, Venezuela and Chile. How might the Odebrecht scandal change the lineup of candidates expected to run in the presidential races slated in Brazil, Colombia and other countries of the region next year? Which parties and forces stand to benefit from the wave of corruption revelations? Will the Odebrecht scandal propel non-establishment political candidates to victory in the coming year?

A **Jimena Blanco, head of Americas politics research at Verisk Maplecroft:** "The bribery scandal will play a key role in Brazil's 2018 presidential race, but its effect across the wider region will be minor in comparison. The PT's Lula da Silva, the current front-runner in all polls, could be unable to compete for a third term, while most presidential hopefuls in the pro-business PSDB and the senior leadership of Temer's PMDB could also be disqualified. The emergence of a relative outsider, particularly one propped by a clean slate, a strong anti-corruption platform or a lack of party affiliation is quite likely. Marina Silva would, thus far, appear to be in the first category. And, if he succeeds in turning the economy around, Finance Minister Henrique

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TODAY'S NEWS

POLITICAL

Mexico Pushes Back on U.S. Plans

Mexico's Foreign Minister rejected tougher U.S. policies this week on immigration and said he will appeal to the United Nations to defend migrants and protect their rights under international law.

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Venezuelan V.P. Pleads His Case to U.S. Media

Venezuelan Vice President Tareck El Aissami on Wednesday attacked the United States' decision to impose sanctions against him due to his alleged involvement in narco-trafficking, taking out a full-page advertisement in Wednesday's New York Times.

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POLITICAL

Ecuador's Moreno Narrowly Misses Presidential Win

Ruling party candidate Lenín Moreno garnered 39.35 percent of votes in Sunday's election, missing a 40 percent threshold that would have avoided a runoff scheduled April 2.

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Moreno // File Photo: Alianza PAIS.

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POLITICAL NEWS

Mexico Won't Go Along With U.S. Immigration, Tariff Plans: Videgaray

As the U.S. Secretary of State and head of Homeland Security arrived Wednesday in Mexico City, Mexico's Foreign Minister, Luis Videgaray, said his government rejects tougher U.S. policies announced this week on immigration and will appeal to the United Nations to defend migrants from deportation and protect their rights under international law, Excelsior reported. "We are not going to accept it because

U.S. Secretary of State Tillerson (R) arriving in Mexico on Wednesday. // Photo: U.S. Government.

we don't have to accept it ... the government of Mexico and the Mexican people do not have to accept measures that one government wants to unilaterally impose on another," Videgaray said. Mexico's foreign ministry also stressed Wednesday that it would screen any deportees from the United States to ensure only verified Mexicans were allowed back into the country. Mexico's agenda at the U.S. talks on Thursday includes border infrastructure, deportation strategies, Central American migration, narcotics, arms trafficking and terrorism, as well as the North American Free Trade Agreement, or NAFTA, a senior official with direct knowledge of the matter told Reuters. Videgaray stated Wednesday that it is logical to renegotiate the NAFTA, a trade deal in force more than two decades, but he made it clear that Mexico will not accept any tariffs that the United States wants to impose. "What can not be lost is free trade. We will not accept the imposition of tariffs, tariffs or any other kind of fiscal measure that works as a tariff," he said. [Editor's note: See related **Q&A** in yesterday's edition of the Advisor.]

Ecuador Presidential Race Officially Heads to Second Round

With 99.5 percent of the votes counted, Ecuador's National Electoral Commission on Wednesday officially declared Sunday's election would go to a runoff scheduled for April 2, El Comercio reported. Ruling party candidate Lenín Moreno garnered 39.35 percent of votes, missing a 40 percent threshold that would have avoided a runoff by a matter of thousands of votes. Businessman Guillermo Lasso won 28.11 percent of the votes. Opposition supporters had taken to the streets earlier this week amid concerns of fraud and impartiality in the electoral commission, which had declared a three-day delay in announcing final poll results. Analysts suggest the outcome in April's election will depend on the ability of conservative voters, split in the first round between Lasso and third-place candidate Cynthia Viteri, to rally behind Lasso, who seeks to put an end to a decade of leftist policies under President Rafael Correa. [Editor's note: See related **Q&A** in Friday's issue of the Advisor.]

Venezuelan Vice President Strikes Back at United States

Venezuelan Vice President Tareck El Aissami on Wednesday attacked the United States' decision to impose sanctions against him due to his alleged involvement in narco-trafficking, taking out a full-page advertisement in Wednesday's New York Times to proclaim his innocence and slam the U.S. government, Bloomberg News reported. "They have built a false-positive case in order to criminalize—through me—the Government of the Bolivarian Republic of Venezuela," El Aissami said. The "decision constitutes a serious violation

NEWS BRIEFS

Brazil Plans to Cut Local Content Requirements for Oil Sector in September

The Brazilian government said on Wednesday that starting in September, it would ease local-content rules in the oil industry in a bid to attract more foreign investment to the sector amid global low oil costs that have hindered the country's ability to develop offshore reserves, Reuters reported Wednesday. Mines and Energy Minister Fernando Coelho said the new rules would decrease the local content requirements by half, and that the level in the exploration of offshore oil fields would be 18 percent.

Argentina's Macri Visits Spain to Court Investors

Accompanied by more than 200 business leaders, Argentine President Mauricio Macri started an official state visit to Spain on Wednesday in a bid to drum up foreign investment, the Associated Press reported. Following a meeting with King Felipe, Macri left for Congress where he addressed a full chamber. Spain clashed with Argentina under Macri's predecessor, Cristina Fernandez de Kirchner, over her decision to nationalize YPF, a former state company in which Spain's Repsol had invested heavily.

Mexico to See $4 Billion in Wind Power Investment

Mexico's wind energy sector expects to see investments of $4 billion in new generation projects over the next two years, the president of the Mexican Wind Energy Association said Wednesday. Leopoldo Rodríguez said that the country currently has a generation capacity of 3,500 megawatts in almost 40 wind farms, with plans to add 2,500 megawtts by 2018. By 2021, Mexico's installed capacity of wind-sourced power should reach 12,000 megawatts, if plans continue for the government to meet clean-energy goals.

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against my human rights and seriously damages my dignity and honor," he added. Last week, El Aissami became the highest-ranking official to be added to a list by the U.S. Treasury Department of foreign nationals against whom the United States has imposed economic sanctions under the Foreign Narcotics Kingpin Designation Act. El Aissami said the allegations against him were nothing more than the machinations of "political sectors, lobbyists and stakeholders" who were trying to keep Venezuela and the United States from improving relations. Also last week, U.S. President Donald Trump called on Venezuelan President Nicolás Maduro to release opposition leader Leopoldo López from prison after meeting in the White House with López's wife, Lilian Tintori, on Jan. 15. The next day, Venezuela's high court rejected a final appeal to have López's 14-year prison sentence overturned. On Jan. 19, Maduro warned Trump against taking a similar stance on Venezuela as previous U.S. administrations. "President Trump, open your eyes. Don't let them bind you to the failed policies of regime change against Venezuela and Latin America of the old administrations of George W. Bush and Barack Obama," Maduro said during his Sunday talk show.

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Meirelles could garner strength from his lack of party affiliation. But the impact on the wider region will be less profound. The allegations of bribery involving key allies will undoubtedly cause a political headache for Argentina's Macri. However, the extent of corruption under the previous administration and the likely indictment of former Argentine President Cristina Fernández this year mean that the fallout from the Lava Jato case in the October mid-terms will be limited. In Colombia and Peru, it is simply too early to tell. In Colombia, coalitions have yet to be formed, and the fact that the two main parties—the U Party and the Democratic Centre—have been linked to the scandal means the mudslinging can flow both ways. In Peru, the next presidential election is more than four years away. However, unless President Kuczynski's anti-corruption drive manages to restore the public's faith in the political class—and chances are that it won't—an anti-establishment candidate could well ride the wave of popular anger to power in 2021."

> **"The names of companies and individuals involved in Mexico have not yet been released..."**
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> **— R. Kirk Sherr**

R. Kirk Sherr, member of the Energy Advisor board and president of Clearview Strategy Group: "Recent Odebrecht marketing documents highlight awards the company received as 'evidence of the many benefits for the parties involved.' Clearly, 'parties' also included both political parties and individuals across the region. Certainly, more names will be added to political obituaries as a result of collaboration following an international meeting of anti-corruption government officials in Brasília on Feb. 16. In Mexico, the Odebrecht scandal feeds directly into the long-running narrative of high-level corruption by the PRI. The names of companies and individuals involved in Mexico have not yet been released, so it is not clear what the damage may be. But, new scandals will bolster front-runner Andres Manuel López Obrador's candidacy and further diminish PRI hopes for the 2018 presidential elections. In Brazil, political fortunes for the 2018 presidential elections at this point depend more on revelations from the attorney general's office than from

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BUSINESS NEWS

Peru May Bar Spain's Enagás from Bidding on Gas Pipeline

The Peruvian government may bar Spanish energy company Enagás from bidding on a new contract for a natural gas pipeline, because the company worked with Brazilian construction conglomerate Odebrecht on the project before the company lost the $5 billion contract after missing a financial deadline due to concerns over corruption allegations, Petroleumworld.com reported Wednesday. Odebrecht had previously owned 55 percent of the project, while Enagás had owned 25 percent and Peruvian construction group Grana y Montero owned 20 percent. Peruvian Minister of Energy and Mines Gonazalo Tamayo said in an interview with local broadcaster RPP that the government is still evaluating whether it will exclude Enagás or Grana y Montero from the new tender for the pipeline project, which is set to take place within the next nine months. "In the case of Enagás they have a limitation because they were the operators of the natural gas pipeline," Tamayo said when asked if Enagás or Grana would be able to re-bid on the project. "We've commissioned legal briefs to tell us specifically if the companies you mentioned should have a limitation or not." Odebrecht has been barred from bidding on any future contract in Peru. Peru's hydrocarbons production increased nearly 20 percent last month compared to the year before on the back of higher gas output, the National Institute of Statistics and Informatics, or INEI, reported last week. However, production of hydrocarbons had fallen by nearly 10 percent in December, as crude output slowed.

> **Odebrecht has been barred from bidding on any future contract.**

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any campaign planning. Broadly speaking, it seems that platforms including a serious effort to strengthen judicial systems and regulatory agencies should be welcomed by voters—if a candidate is qualified to deliver the message. Regionally, candidates across the political spectrum have been discredited. This leaves open a large swath in the middle for reform-minded politicians positioned to make a strong case against impunity and for the rule of law. Not unlike recent experience in the United States, upcoming elections in the region are ripe for well-positioned political outsiders and politicians perceived to be the most honest."

Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "The Odebrecht virus has spread across Latin America, carrying its poison to at least a dozen nations. The Brazil-based Odebrecht empire has exchanged nearly a billion dollars in bribes for high-profit, publicly funded contracts, but Brazil and Odebrecht are not the only culprits in this regional drama. In country after country, top political leaders (including presidents), their parties and business associates welcomed Odebrecht's generosity and became co-conspirators. The Odebrecht virus found ample breeding grounds everywhere. Aside from Brazil, with its combative press and aggressive judiciary, no country discovered the Odebrecht scandal on its own. It is a terribly discouraging sign about Latin America's ability and resolve to curb corruption that so few news sources, government officials, political or business leaders, or civil society groups spoke up about the Odebrecht scandal; its epidemic proportions were revealed by a U.S. investigation. Brazil had the needed information, but continues to claim it cannot share it under the conditions of the plea agreements by which the crimes were exposed. It is early to judge to longer-term political consequences of the Odebrecht scandals. In Brazil, the three largest parties have all suffered highly damaging setbacks. Virtually all of their visible contenders for the presidency in the 2018 elections—including past candidates, governors, senators and cabinet ministers—have been implicated in criminal transgressions. Ironically, as other top contenders stand accused, former President Lula da Silva, despite multiple charges against him, is now the one leading most electoral polls. The Odebrecht virus has also begun to affect the politics elsewhere, turning corruption into an evermore central issue and raising questions about the honesty and effectiveness of political leaders and governments of every stripe—and judging them on how decisively they deal with corruption and its carriers. Political outsiders should get a boost in upcoming national and local elections. However, how it will play out is unpredictable; witness Lula's increasing poll numbers. And corruption will be competing for attention with other high-voltage issues, like the troubled state of the region's economies, growing crime and violence, and the new U.S. administration's policy directions."

> **"Political outsiders should get a boost in upcoming national and local elections..."**
>
> **— Peter Hakim**

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