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FEATURED Q&A

Can the FBI Help Build Rule of Law in Latin America?



A new law enforcement team, based in Miami (pictured above), will focus on fighting crimes related to South America. // File Photo: City of Miami.

Q The FBI is adding a new squad to its international corruption unit to specifically focus on South America. The team will be based in South Florida, where the real estate sector has been increasingly linked to money laundering. Among other objectives, it will seek to identify bribes made to foreign officials, as well as carry out an outreach strategy to teach companies in the region about corruption red flags and encourage them to self-report improper conduct to authorities. How big of a problem is the Miami-based squad facing, and to what extent will the initiative help strengthen the rule of law in South America? Which countries, illegal practices and business sectors should be the unit's main priorities? What else can be done to deter international money laundering in the Americas?

A Gene M. Smith, president of Smith Brandon International, Inc. and a former operations officer serving in South America with the U.S. Central Intelligence Agency: "Miami has long been the playground for wealthy South Americans, whatever their source of funds. What better place to install the newly established Miami International Corruption Squad, targeting all forms of corruption with at least one foot in the United States. Targeting corruption linked to Miami, local real estate or other worthy targets means considering several factors: volume of funds involved, likelihood of foreign cooperation and track record of prior success. In brief, what issues point toward the likelihood of success in pursuing the usual suspects? All fingers point to Brazil. Brazil is the largest economy in South America and the ninth largest in the world. That's a lot of money that might be in play. Brazil has

Continued on page 3

TODAY'S NEWS

POLITICAL

Trump Expresses Support for Brazil Joining NATO, OECD

U.S. President Donald Trump voiced support for Brazil becoming a major non-NATO ally or a NATO ally and also said it should be allowed to join the Organisation for Economic Cooperation and Development. His statements came as Brazilian President Jair Bolsonaro visited Washington.

Page 2

ECONOMIC

U.S. Sanctions Venezuela State Gold Company

The U.S. Treasury said state gold miner Minerven is propping up Nicolás Maduro's "illegitimate regime."

Page 3

POLITICAL

Haitian President to Select New Prime Minister

President Jovenel Moïse said he would choose a new prime minister after Congress censured Jean-Henry Céant.

Page 2



Moïse // File Photo: Haitian Government.

POLITICAL NEWS

Trump Expresses Support for Brazil Joining NATO, OECD

U.S. President Donald Trump and Brazilian President Jair Bolsonaro met for the first time Tuesday at the White House, with Trump suggesting that the South American country should be able to join the North Atlantic Treaty Alliance and the Organisation for Economic Cooperation and Development, The Wall Street Journal reported. "I intend to designate Brazil as a major non-NATO ally, or even possibly, if you start thinking about it, maybe a NATO ally," Trump said during a joint press conference with Bolsonaro in the White House Rose Garden. "Have to talk to a lot of people, but maybe a NATO ally, which will greatly advance security and cooperation between our countries." Trump's comments highlighted the warming relationship between the United States and Brazil. Bolsonaro has expressed admiration for the U.S. president and is frequently called the "Trump of the Tropics." Designating Brazil as a major non-NATO ally would allow Brazil preferential treatment for the purchase of U.S. military equipment, give Brazil access to surplus military equipment and would open up new training opportunities for Brazilian military members with the United States, The Wall Street Journal reported. Currently, Argentina is the only Latin American country with this designation. There are currently 17 major non-NATO allies. Also on Tuesday, Trump expressed support for Brazil's effort to become a member of the Organisation for Economic Cooperation and Development, a move that would likely attract more foreign investment into the country, which endured its worst recession ever from 2014 to 2016. The 36-member OECD includes most of the world's highly developed economies. Bolsonaro told reporters at the joint press conference that his visit to Washington heralded a new era in U.S.-Brazil relations. "Brazil has a president who is not anti-American, which is unprecedented in recent decades," said Bolsonaro, the Voice of

America reported. During their meeting, Trump and Bolsonaro discussed their support for Venezuelan National Assembly President Juan Guaidó, who has been recognized internationally as the country's acting president. When asked if U.S. military intervention in Venezuela is a possibility, Trump responded, "All options are open." Nicolás Maduro remains in power as Venezuela's president and has the backing of the country's military, and the United States has imposed increasingly tougher sanctions on Caracas. "People are starving to death" in Venezuela, Bolsonaro said. "We need to put an end to this." Ahead of the meeting between Trump and Bolsonaro, the United States and Brazil signed an agreement that supports launches of U.S. spacecraft from Brazil. The agreement will ensure that sensitive U.S. technology is handled properly, consistent with the U.S. non-proliferation policy, among other regulations, the State Department said. Before the meeting, Brazil also eliminated visa requirements for visitors from the United States and several other countries, The Wall Street Journal reported. When asked about any reciprocal move from the United States, Trump said his government is "working on visas." Trump and Bolsonaro also "agreed to take the steps necessary to enable Brazil to participate in the Department of Homeland Security's Trusted Traveler Global Entry Program," according to a joint written statement released after the press conference.

Guatemalan Judge Issues Warrant for Candidate's Arrest

A Guatemalan judge has issued an arrest warrant for former attorney general and current presidential candidate Thema Aldana, a court said Tuesday, but her candidacy gives her immunity from prosecution, Prensa Libre reported. A spokeswoman for Guatemala's Supreme Court said the warrant is related to a corruption investigation alleging some form of embezzlement, but authorities have not provided further details, the Associated Press reported. Aldana, 63, who is running with the relatively new Seed Movement party and is polling in second place,

NEWS BRIEFS

General Motors to Invest \$2.7 Billion in Two Brazil Factories

General Motors will invest \$2.7 billion in two Brazilian factories over the next five years, reversing a decision to close the plants last December, São Paulo State Governor João Doria said Tuesday in a joint news conference with GM executives, Reuters reported. The U.S. automaker had planned to shutter its plants in São Caetano do Sul and São José dos Campos, but the new governor convinced executives not to, he said, adding that the decision saved some 65,000 jobs.

Haiti's President to Select New Prime Minister Following Censure Vote

Haitian President Jovenel Moïse told lawmakers in a letter that he would soon begin the process of selecting a new prime minister following a censure vote in the lower chamber to oust current Prime Minister Jean-Henry Céant, the Jamaica Observer reported Tuesday. Céant, who came into office just six months ago, says he does not recognize Congress' decision, calling it "illegal and unconstitutional." Moïse has been facing pressure from the opposition to step down over his handling of domestic affairs and corruption allegations.

Trump Taps Landau for Ambassador to Mexico

U.S. President Donald Trump has nominated Christopher Landau, a lawyer, as his ambassador to Mexico, Agence France-Presse reported Tuesday. Landau previously was a clerk for two conservative Supreme Court justices before beginning work as an attorney focused on appeals. Landau has no experience as a diplomat, but he speaks Spanish and studied Latin America as a student at Harvard University, the wire service reported. His father, George Landau, was a longtime diplomat.

has denied wrongdoing. She was the Central American country's top prosecutor from 2014 to 2018 and led some of the country's most prominent investigations. Among them was the case against former President Otto Pérez Molina who, along with other politicians, was jailed



Aldana // File Photo: Guatemalan Government.

for corruption. Aldana worked closely with the U.N.-backed International Commission Against Impunity in Guatemala, or CICIG, to try to lift President Jimmy Morales' immunity to start a probe into his alleged involvement in illicit campaign financing in 2015. The president has denied wrongdoing, and attempts to remove his immunity have failed in Congress. Morales, who claims the anti-graft agency has overstepped its bounds, in January said he would shutter CICIG, at the time hailing criticism from U.N. Secretary General António Guterres. CICIG has uncovered more than 80 criminal networks in Guatemala that involve more than 1,000 people, the Financial Times reported. [Editor's note: See related [Q&A](#) in the Sept. 20 issue of the Advisor.]

ECONOMIC NEWS

U.S. Slaps Sanctions on Venezuelan State Gold Company

The U.S. Treasury on Tuesday imposed sanctions on Venezuelan state gold mining company Minerven and its president, Adrián Antonio Perdomo Mata, saying they have "continued to prop up the illegitimate regime of former President Nicolás Maduro." The measure blocks the company's U.S. properties

FEATURED Q&A / Continued from page 1

a new minister of justice and public security, Sérgio Moro, who has a strong reputation for taking on complex investigations and prominent, powerful figures—including former Brazilian President Lula da Silva (now serving a 12-year sentence, stemming from the Operation 'Lava Jato' investigation, which Moro himself spearheaded). Brazil has been the home base of multinational corruption scandals, and later enforcement efforts, that have involved the oil industry, as reflected in the settlement with Petrobras (to the tune of approximately \$1.8 billion) in 2018; the construction industry, as reflected in the court-ordered fine of approximately \$2.6 billion against Odebrecht in 2017; and the meatpacking industry, with an agreed fine of approximately \$3.2 billion in 2017 levied against JBS. At the World Economic Forum, Moro said, 'Brazil is probably the country [that] did more [to fight] corruption in the last four years ... than any other country.' Working closely with Brazilian authorities would likely prove to be to the advantage of the United States and Brazil, while fostering the rule of law across the Americas."

A Javier Coronado, associate attorney at Diaz, Reus & Targ: "The Miami-based squad's actions could certainly help strengthen the rule of law in Latin America. Corruption undermines the faith that citizens have in their government and puts constitutional principles and property rights

at risk. However, tackling corruption in Latin America is not a small task. As highlighted by the recently released Corruption Perceptions Index, countries in this region simply continue to 'fail in making any serious inroads against corruption.' In the short term, the new FBI squad will likely concentrate its investigations on countries that are already under the U.S. government's scrutiny, such as Venezuela and Nicaragua. Later on, it will possibly move to investigations into other countries that, based on reports issued by international organizations, reflect systemic and persistent corruption, such as Guatemala, Honduras and Mexico. Against this backdrop, the Miami-based unit will likely prosecute cases that fall under the jurisdictional scope of the Foreign Corrupt Practices Act or the Money Laundering Control Act. Critically, the FBI will continue to investigate financial transactions either originating or ending in the United States, including transfers of funds for the purchase of real estate and luxury items. To counteract international money laundering, the new squad should team up with the Miami field offices of other U.S. law enforcement agencies with experience in tracing the proceeds of corruption in Latin America, such as the IRS-CI, ICE-HSI and U.S. Immigration and Customs Enforcement. It should also establish a fluid communication channel with law enforcement agencies and financial intelligence units from Latin American countries."

Continued on page 4

and assets and prohibits U.S. citizens from dealing with Minerven or Perdomo. "Treasury is targeting gold processor Minerven and its president for propping up the inner circle of the corrupt Maduro regime," Treasury Secretary Steven Mnuchin said in the statement. "We will aggressively pursue those involved with Maduro's reckless illicit gold trade, which is contributing to this financial, humanitarian and environmental crisis," he added. Since January, this is the sixth round of U.S. sanctions against officials close to Maduro and Venezuelan

sectors that he controls. The United States has sought to pressure Maduro to step down or at least convince those still loyal to him, especially in the military, to back internationally recognized interim President Juan Guaidó, Bloomberg News reported. "The regime has apportioned responsibility for oversight of gold extraction to select military officers who take their cut," Marshall Billingslea, assistant secretary for terrorist financing at the Treasury, told Bloomberg News.

FEATURED Q&A / Continued from page 3

A **Ana Maria Belotto, consultant in foreign law at Feldens Madruga in Brasília:** “The success of the FBI squad will likely depend on the level of cooperation with South American local authorities. In that sense, it is difficult to refer to South America as a unit, considering the different realities of each South American country. Certain countries have well-established and functional police and prosecutorial authorities, while others are facing their own local institutional crisis. The question of self-reporting improper conduct to authorities, for example, is one that varies according to local procedures and authorities. In Brazil, changes in local laws and regulations and new procedures adopted by local authorities have increasingly led companies and individuals to self-report criminal activities. Self-reporting and plea agreements were in fact groundbreaking in Operation Car Wash, which in recent years has unveiled an enormous corruption and money laundering scheme involving some of the country’s top politicians and businessmen. Other South American countries, however, may not have formal incentives or even a proper legal procedure for such reporting to take place. The strengthening of local authorities and cooperation with foreign institutions, such as the FBI and the DOJ in the United States, has demonstrated to be a major movement to deter international money laundering in the Americas and will likely continue to do so. The new FBI squad in South Florida and its proximity with South

America has the potential of playing an important role in that movement. Understanding different local realities and working with local authorities may be an important tool for such purposes.”

A **Richard K. Gordon, professor of law and director of the Financial Integrity Institute at Case Western Reserve University:** “The initiative could prove crucial to helping fight corruption, particularly corrupt payments in breach of the U.S. Foreign Corrupt Practices Act. Anti-money laundering standards already require financial institutions to pay greater attention to accounts held by politically exposed people, such as government officials and relatives who are in a position to award contracts or make other payments from the public fisc. However, it is likely that such officials who are corrupt will not open or maintain accounts in their own name (see, for example, Lula), which means that financial institutions need help in determining if an account holder is a politically exposed person. The Miami-based squad should be able to help with this. Also, they should be able to help financial institutions whose account holders are paying bribes to more effectively monitor those transactions to financial institutions in Latin America for any illicit payments.”

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

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