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FEATURED Q&A

How Well Is the Odebrecht Case Being Handled?



Latin American countries have had mixed experiences handling the massive Odebrecht bribery case. // File Photo: Odebrecht.

Q Miguel Atala Herrera, a former vice president of Peruvian state oil company Petroperú, has confessed to acting as a frontman for late President Alan García in a bribery scheme in connection with Brazilian construction conglomerate Odebrecht, prosecutors said April 30. Days earlier, Mexico announced it had banned the company from receiving any federal contracts for three years. Odebrecht has admitted to paying officials in a dozen countries in Latin America nearly \$800 million in bribes in exchange for government contracts. How well are the different nations in the region, including Peru and Mexico but also Brazil and Colombia, among others, handling probes into the massive corruption scandal? How much longer will the investigations last, and is there still a lot more to uncover? Which countries are employing the best policy measures to avoid repetition in the future, and should governments and businesses be doing more?

A Eileen Gavin, senior politics analyst at Verisk Maplecroft:
“There has been a notable difference in the regional response, with countries such as Mexico and Colombia taking only limited steps, to date, toward the ‘Pandora’s Box’ that is the Odebrecht scandal. In the case of Mexico, the Peña Nieto government appeared to have little political will to take action. And now, despite his ‘instructions’ to investigate former public officials, current President Andrés Manuel López Obrador’s announcements do not demonstrate a very clear commitment to tackling grand corruption either. Rather, they point to politically motivated and rather selective efforts, which could

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TODAY'S NEWS

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Venezuelan Opposition Seeks Meeting With U.S. Military

Venezuelan opposition leader Juan Guaidó's ambassador to the United States asked officials from the U.S. Southern Command for a meeting to enhance “cooperation.”

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Mexico to Take Steps to Ease Pemex's Debt

Mexico will use debt refinancing, the renewal of credit lines and a tax cut to ease the state oil company's debt, the government announced.

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POLITICAL

Guatemalan Court Bars Ríos From Presidential Race

Guatemala's Constitutional Court barred Zury Ríos, the daughter of late dictator Efraín Ríos Montt, from the country's presidential race. The election's first round is scheduled for June 16.

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Ríos // File Photo: Guatemalan Government.

POLITICAL NEWS

Venezuelan Opposition Seeks U.S. Military Meeting

Venezuela's opposition is seeking a meeting with U.S. military officials in order to strengthen its challenge of President Nicolás Maduro, CBS News reported Monday. Carlos Vecchio, opposition leader Juan Guaidó's ambassador to the United States, asked officials from the U.S. Southern Command for a meeting soon to enhance "cooperation," the network reported. "We welcome strategic and operational planning so that we may fulfill our constitutional obligation to the Venezuelan people in order to alleviate their suffering and restore our democracy," Vecchio wrote in a letter. The Southern Command, or Southcom, oversees the U.S. military's strategy in Latin America as well as its security arrangements with countries in the region. In his request for a meeting, Vecchio cited the worsening conditions in Venezuela and also the presence of "uninvited foreign forces." Officials in the United States have frequently said that military units from Russia

and Cuba are helping Maduro maintain his grip on power. The United States and dozens of other countries recognize Guaidó as Venezuela's rightful interim president. U.S. President Donald Trump and officials in his administration have repeatedly refused to rule out the possibility of U.S. military action in Venezuela. Vecchio's request followed Guaidó's call on April 30 for Venezuela's military to rise up against Maduro. Thousands of protesters filled the streets in Venezuela, but Maduro remained in power. Guaidó and other opponents of the government say Maduro's re-election last year was fraudulent, while Maduro blasts Guaidó as a puppet of the United States and blames U.S. sanctions for Venezuela's economic problems.

Guatemalan Court Bars Late Dictator's Daughter From Race

Guatemala's Constitutional Court on Monday voted to bar Zury Ríos from running in the country's presidential election, which is scheduled for June 16, Prensa Libre reported. Judges voted 4-3 against Ríos' candidacy, and the ruling orders Guatemala's electoral authori-

NEWS BRIEFS

Peronist Governor Wins Landslide Re-election in Argentina

Juan Schiaretti, the moderate Peronist governor of Argentina's Córdoba Province, was re-elected Sunday in a landslide, with 54 percent of the vote, Clarín reported. Schiaretti's victory was seen as a major defeat for the ruling coalition of President Mauricio Macri, which fielded two candidates in the race.

U.S. to Provide Colombia \$160 Million to Help Implement Peace Accord

The United States will provide \$160 million in funding to help Colombia implement the peace accord signed between the government and the former Revolutionary Armed Forces of Colombia, or FARC, rebels, a U.S. official said, Agence France-Presse reported Tuesday. The funds will go toward the "implementation of peace" and to "formalize land" in conflict areas, USAID Administrator Mark Green told reporters in Bogotá. Colombian President Iván Duque said the money would be primarily used in productivity projects for former FARC militants but also for strengthening security in isolated regions.

Investigators to Probe Bank Records of Brazilian President's Son

A Brazilian court will allow investigators to examine the bank records of Sen. Flávio Bolsonaro, the son of President Jair Bolsonaro, as well as his wife and his former driver in a money laundering probe, Reuters reported Monday, citing unnamed sources with knowledge of the matter. The investigation is in connection to unexplained increases in the lawmaker's net worth and his purchase of at least two luxury apartments in Rio de Janeiro, federal investigators said in February. Flávio Bolsonaro and his driver, former policeman Fabrício Queiroz, have denied wrongdoing.

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risk due process, in fact. In the case of Colombia, despite some initial actions and prosecutions, there is some concern that the investigations appear to have been compromised, casting a negative spotlight once more on the country's weak judicial transparency and effectiveness, and raising uncomfortable questions about judicial independence. After Brazil, Peru has taken been the most proactive country in response to the Odebrecht case. As in Brazil, the Peruvian investigations have been led by a trailblazing judicial official, prosecutor José Domingo Pérez, who, like Sérgio Moro in Brazil, has become something of a national figure. Pérez's team has more than 30 cases open, and critically, has signed a plea bargain agreement with Odebrecht, thereby securing access to critical documentation

and testimony. The political response in Peru has also been similar to that of Brazil, with loud rhetorical support at the political level, but notably, some quite glaring efforts by the country's Congress in particular to push back, whether that be in looking to deter and hinder the work of the investigators/prosecutors, or in trying to water down any legislative efforts against corruption. This also calls to mind the Honduran congressional pushback against the work of the U.N.-backed Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH) and illustrates a situation in many Latin American countries whereby the various institutions are aggressively trying to assert their 'dominance' over each other—with the notion of democratic coexistence between independent powers getting lost."

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ty to revoke her inscription as candidate within 24 hours, said Constitutional Court Secretary Martín Guzmán. Ríos had appealed a lower court's decision to block her candidacy based on an article of the Constitution that prohibits close relatives of coup leaders from top office. Ríos is the daughter of late military dictator Efraín Ríos Montt. He was convicted in 2013 of genocide and crimes against humanity, but judges overturned the sentence barely a week later. "The measure limiting a close relative from assuming the position of president or vice president of the republic is logical because it prioritizes the common good over individual interest," the court said in a statement, Reuters reported. "This is not an attack on Zury Ríos, this is an attack against millions of Guatemalans," Ríos said on Twitter after the decision was announced, adding that she would appeal the decision to the Inter-American Court of Human Rights. Ríos had been among the front-runners for the presidency in recent polls.

BUSINESS NEWS

Mexico to Take Steps to Ease Pemex's Debt

The Mexican government is taking more steps to ease state oil firm Pemex's debt troubles, including \$2.5 billion in debt refinancing, the renewal of credit lines with three banks and a gradual tax cut, the government announced on Monday, Animal Político reported. The two extended lines of credit with banks is worth as much as \$5.5 billion, according to a Pemex statement. "This is a fund that will be used if necessary, depending on the circumstances," said Mexican President Andrés Manuel López Obrador, who signed the agreement with bank officials. "We are determined to back up Pemex, to support Pemex," he added. The interest rate on the credit line is Libor plus 235 basis points. The broader government package includes a gradual tax reduction, which López Obrador estimates surpasses 30 billion pesos, or \$1.5 billion. The president has pledged to strengthen the state company, which holds roughly \$106 billion in debt, the largest amount

TECHNOLOGY BRIEFS

AT&T's Mexico Unit Loses Class Action Lawsuit

U.S. telecommunications giant AT&T on May 10 lost a class-action lawsuit regarding undue charges and poor service in Mexico, according to the country's consumer watchdog, Profeco, Reuters reported. In 2013, Profeco sued telecommunications operator Nextel, which AT&T acquired in 2015, for undue charges, including changing rates without informing clients and charging customers for services that had been canceled, the watchdog said in a statement. AT&T, Mexico's third-largest mobile service provider, must now pay damages to its affected customers, in addition to 20 percent in compensation and 9 percent annual legal interest, Profeco said, without giving a numerical estimate. The sentence is final, since Mexico's Supreme Court previously rejected an appeal filed by the company, Reuters reported.

Mexican E-Commerce Platform Buys Chilean App

Mexico's 99 Minutos has purchased Chilean delivery app MuvSmart, which uses electric vehicles for its services, the Mexican company announced May 7, without disclosing the amount it paid. 99 Minutos, a last-mile delivery service for online stores, currently operates in 13 cities in Mexico and Chile, with an average of 3,000 daily deliveries, tech news website Contxto reported. The purchase is part of the company's expansion strategy. "The next natural step in our search to become the Latin American leader in this sector was to expand to another country," said Alexis Patjane, chief executive of 99 Minutos, Contxto reported. MuvSmart's 100 percent electric fleet has omitted more than 40,000 kilograms of carbon dioxide since 2017, according to the statement. Engie Factory, the company builder and venture capital fund of French electric utility company Engie Group, invested in 99 Minutos last July.

Brazil's Itaú Unibanco to Launch New Payments App

Itaú Unibanco, Brazil's largest private lender, will launch an instant payments platform by the third quarter of this year, the bank said on Monday, Reuters reported. Iti, as the platform is called, will work through an application connecting merchants and individuals that will be available to both clients and nonclients of the bank. Iti will charge a fee of 1 percent per transaction, a lower cost than fees currently charged by many card processors. The application does not require merchants to buy or rent card reader machines, and transactions will be done instantly, according to the report. Marcos Magalhães, the chief executive of Itaú's card processor, Rede, said the platform is designed to attract small merchants. He did not provide details for the number of clients it targets. Itaú's general director, Márcio Schettini, said Iti will target consumers of all income brackets, including those with no bank accounts, Reuters reported. Shares of competing Brazilian card processors, including PagSeguro Digital and Cielo, fell sharply after the announcement.

for any oil firm in the world. Last week, he announced that Pemex would be tasked with building a new refinery in the port of Dos Bocas in Tabasco State, which he calculates would cost \$8 billion and which he said would be completed by May 2022. On Monday, credit

rating agency Moody's said the refining unit will likely cost at least \$2 billion to \$4 billion more than the government estimates due to its "limited know-how," Reuters reported. [Editor's note: See related [Q&A](#) in the April 12 issue of the Energy Advisor.]

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A **Michael Camilleri, director of the Peter D. Bell Rule of Law Program at the Inter-American Dialogue:** “While Odebrecht’s corruption schemes and the public fury they engendered were common across much of Latin America, the resulting response has been far from uniform. In some countries, former presidents, ministers and business tycoons went to jail. In others, cases barely budged. The investigations showing the greatest progress, in countries such as Brazil and Peru, are characterized by prosecu-

“**More troubling are the still inconclusive efforts at accountability in countries such as Argentina, Colombia and Mexico.”**

— Michael Camilleri

torial independence and initiative, technical capacity, the innovative use of tools such as plea bargaining and international prosecutorial cooperation, accompanied by a vibrant civil society and independent media. It is little surprise that in Venezuela, where the judiciary is co-opted by the regime of Nicolás Maduro (himself implicated in Odebrecht bribery), there has been no progress. More troubling are the still inconclusive efforts at accountability in countries such as Argentina, Colombia and Mexico—where an anticorruption prosecutor was fired when he began gathering evidence against the official accused of funneling bribes to the campaign of then-presidential candidate Enrique Peña Nieto. Even for countries that have achieved progress in the courtroom, the adoption of preventive reforms has not been straightforward. Former Lava Jato judge and current Brazilian Justice Minister Sérgio Moro, for example, had to water down an anti-corruption bill before presenting it to Congress. More encouraging is the growing anecdotal evidence that corporations’ risk

tolerance has diminished and their compliance programs improved in response to the Odebrecht scandal.”

A **Gene M. Smith, president and CEO of Smith Brandon International:** “Odebrecht will go down in history as a model of corrupt practices, even given its cooperation in the process of tracking the estimated \$788 million in bribes paid over roughly 15 years (2001-2016) to politicians across Brazil and at least 12 other countries. Odebrecht’s ‘bribery department,’ the Division of Structured Operations, managed and expedited the payment of bribes through designated banks and other intermediaries, including the relatively low-ranking ‘doleiros’ who assist in currency exchange at the person-to-person level in Brazil. Odebrecht entered into a settlement agreement with the authorities in several countries (including the United States and Brazil) that resulted in it being fined roughly \$2.6 billion. For comparison purposes, it might be useful to review the parallel operations of Siemens (Germany), which had developed its own bribery department, the Major Projects Division of Siemens Business Services (SBS). Siemens entered a guilty plea and paid a \$1.6 billion fine, among other penalties, in 2008 due to its bribery operations and other corrupt practices. Last year, a former SBS technical manager pleaded guilty in the United States to charges of participating in a \$100 million bribery scheme in Argentina. Ten years after Siemens’ 2008 plea, the prosecutions continued. The Siemens case may be a benchmark for how long it might take to review Odebrecht’s operations, contracts and relationships with government officials. It might also be useful to factor in the level of cooperation among international law enforcement authorities that became the hallmark of the Odebrecht case. There are no real winners in the Odebrecht investigations. The sooner they’re concluded and the sooner that justice is rendered, the better.”

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