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## FEATURED Q&A

# Will Peru's Vizcarra Win Approval for Anti-Graft Reforms?



Peruvian President Martín Vizcarra has pushed anti-corruption reforms and won a confidence vote earlier this month in the country's Congress. A vote of no-confidence would have allowed Vizcarra to call new legislative elections. // File Photo: Peruvian Government.

**Q** Peruvian President Martín Vizcarra on June 5 won a confidence vote in the country's Congress, reviving debate on his efforts to pass new anti-corruption measures. Vizcarra had called for the confidence vote after opponents previously blocked his reform agenda. What will the confidence vote lead to in terms of legislation? How likely is Vizcarra to win approval for his anti-corruption reforms? What are the most important changes Vizcarra is proposing, and what reforms does the country most need?

**A** Cynthia McClintock, professor of political science and international affairs at The George Washington University: "Martín Vizcarra has won a battle—the confidence vote—but not the war—political reform. Vizcarra wielded a powerful weapon: if confidence had been denied, Congress would have been closed and congressional elections called. For Vizcarra, the confidence vote mandated congressional approval of the 'essence' of six reforms cited in the vote. However, for the opposition, led by what is commonly called the Fujimorista party, such a confidence vote would have usurped the legislature's rights. In this war, it is Vizcarra who enjoys Peruvians' support; his approval rating recently jumped about 10 points, heading above 50 percent. But, the Fujimorista party, which most analysts deem venal but wily, still holds 53 of 130 legislative seats and leads the legislature's Constitution Committee. Two anti-corruption reforms—the transfer of authority for lifting legislators' immunity from the legislature, with its obvious conflict of interest, to the Supreme Court and a bar against those convicted of serious crimes from political candidacy—are straightforward

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## TODAY'S NEWS

### ECONOMIC

## Mexico Launches Central America Development Plan

Mexico launched a development plan, starting with a \$30 million allocation to El Salvador for a reforestation program. The development plan is part of efforts to stem the flow of migrants to the United States.

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### BUSINESS

## Walmart Settles FCPA Case for Nearly \$283 Mn

Walmart and its wholly owned Brazil subsidiary agreed to settle an investigation by U.S. authorities into violations of the Foreign Corrupt Practices Act, or FCPA.

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### POLITICAL

## Honduras Deploys Military Following Deadly Protests

President Juan Orlando Hernández said the army and military police would protect private property and the public. Two people were fatally shot during anti-government protests.

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Hernández // File Photo: Honduran Government.

## POLITICAL NEWS

## Honduras Deploys Military Following Deadly Protests

Honduras has deployed the military across the country following violence in anti-government protests that left two people dead and more than a dozen injured, BBC News reported today. President Juan Orlando Hernández said the army and the military police would keep roads open and protect private property and the public. Protests began more than a month ago, sparked by proposed health and education reforms that Hernández's government later revoked. Demonstrators have looted shops and attacked government buildings in Tegucigalpa and propped up barricades to block roads and set fire to tires and other objects. There was widespread unrest on Wednesday night, when members of the police force went on strike to pressure the government for improved benefits, La Prensa Gráfica reported. Unrest was also reported in the country's second-largest city, San Pedro Sula, and several other smaller ones. At least 17 people, two of whom were killed, suffered bullet wounds as a result of violence in Tegucigalpa, BBC News reported. [Editor's note: See related [Q&A](#) in the June 13 issue of the Advisor.]

## ECONOMIC NEWS

## Mexico Launches Central America Development Plan

Mexico on Thursday launched a plan to boost economic development projects in Central America, providing \$30 million to El Salvador, in an effort to slow the flow of migrants from the region, Agence-France Presse reported. Mexican President Andrés Manuel López Obrador said he hopes it will be the first of \$100 billion in development funding for Central America,

coming not only from Mexico but also the international community, including the United States. On Thursday, López Obrador traveled to Mexico's southern border to meet with new Salvadoran President Nayib Bukele, where they signed a deal to reinvest in a reforestation program that seeks to create jobs and protect the environment. "People don't leave their communities, their hometowns, because they want to," López Obrador said at the event, AFP reported. "They leave because they have to." He said the plan would help reforest 50,000



Bukele and López Obrador (L-R) signed the agreement on Thursday. // Photo: Mexican Government.

hectares and create 20,000 jobs. "This project is going to be an economic catalyst," Bukele said. The Mexican president added that similar plans are in the works for Guatemala and Honduras, the Associated Press reported. Mexico last month announced a decade-long development plan for El Salvador, Guatemala and Honduras in hopes of addressing the root causes forcing thousands of people to flee to the United States. [Editor's note: See related [Q&A](#) in the June 4 issue of the Advisor.]

## BUSINESS NEWS

## Walmart, Brazil Unit Settle FCPA Case With U.S. Authorities

Walmart and its wholly owned Brazil subsidiary have agreed to pay a total of \$282.7 million to settle an investigation by U.S. authorities into violations of the Foreign Corrupt Practices Act, or FCPA, the U.S.-based retailer said Thursday. As part of its agreement with the U.S. Department of Justice, the Brazilian subsidiary, WMT

## NEWS BRIEFS

## Some 200 Venezuelan Migrants Stranded at Peru-Chile Border

Some 200 migrants, mostly from Venezuela, on Thursday remained stranded on the Peru-Chile border after being refused entry to Chile earlier this week, Reuters reported. Chilean Interior Minister Andrés Chadwick said only "those who meet the legal requirements ... will enter the country." Some migrants, including children, have begun to have health problems, according to a local migrant aid group. Peru last week tightened requirements for Venezuelans entering the country, who now need valid visas and passports to be allowed in. Both documents are hard to get in crisis-stricken Venezuela.

## Ecuador Frees Computer Programmer Close to Assange

An Ecuadorean court on Thursday freed a Swedish programmer close to WikiLeaks founder Julian Assange after more than two months in prison on suspicion of hacking, the Associated Press reported. A provincial court ordered that Ola Bini be freed while he defends himself against any upcoming charges. Ecuadorean officials allege Bini was part of a plot to threaten the release of incriminating documents involving President Lenín Moreno. Bini was arrested in April.

## Carnival Cuts Profit Estimate Following Cuba Travel Ban

Carnival Cruise Line on Thursday cut its profit estimate for the year following the Trump administration's ban on U.S. cruise lines traveling to Cuba, Reuters reported. Carnival, based in Doral, Fla., also lowered its profit estimate because of higher expenses related to itinerary changes. The company said it expects adjusted earnings in the range of \$4.25 to \$4.35 per share, down from between \$4.35 and \$4.55.

Brasília, entered a guilty plea in U.S. District Court for the Eastern District of Virginia “for causing a books and records violation of the FCPA,” Walmart said. Between 2000 and 2011, Walmart personnel who were responsible for implementing and maintaining the company’s anti-corruption controls were aware of potentially improper payments to government officials in some of the company’s foreign subsidiaries, the U.S. Department of Justice said in a statement. However, company personnel failed to adequately implement internal controls, allowing the retailer’s foreign subsidiaries in Mexico, Brazil, India and China to hire third-party intermediaries without adequately preventing them from making “improper payments to government officials in order to obtain store permits and licenses,” the Department of Justice said. The internal control failures allowed the foreign subsidiaries in the four countries to open stores faster than they would have otherwise, the Justice Department added. “Walmart profited from rapid international expansion, but in doing so chose not to take necessary steps to avoid corruption,” said Brian A. Benczkowski, assistant attorney general of the Justice Department’s Criminal Division. As part of its agreement with U.S. authorities, the Department of Justice will not prosecute the company for three years if it meets its obligations under the deal, Walmart said. The retailer also agreed to an administrative order with the U.S. Securities and Exchange Commission, or SEC, to resolve its findings. “We’re pleased to resolve this matter,” Walmart’s president and CEO, Doug McMillon, said in a statement. “Walmart is committed to doing business the right way, and that means acting ethically everywhere we operate. We’ve enhanced our policies, procedures and systems and invested tremendous resources globally into ethics and compliance, and now have a strong Global Anti-Corruption Compliance Program.” The company said it has taken “extensive steps” to strengthen its anti-corruption compliance measures everywhere that it operates. The company said that its settlement, which includes payments to the Department of Justice and the SEC, will not have a material impact on its financial results.

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and popular, but modify Peru’s Constitution and must be approved in two consecutive legislative sessions; the current session ends in late July. Another important but complex reform, previously approved in a referendum but not yet implemented, would more strictly regulate campaign finance. Additional reforms affect Peru’s political parties; they include provisions for gender parity (which are likely to be approved) as well as party primaries supervised by Peru’s electoral commission and party registration on the basis of the number of members and primary voters (which are more complex and challenging). Not cited in the confidence vote but among the many proposals of Vizcarra’s reform commission was the scheduling of Peru’s legislative election not at the same time as the first round of the presidential election but with the runoff—which I believe would ameliorate party proliferation and executive-legislative gridlock. Peru’s war over political reform could yet become fiercer.”

**A** **Carlos Arata, partner in the corporate practice at Rubio Leguía Normand in Lima:** “Congress is expected to pass certain modifications to the Constitution and other laws related mainly to legislative immunity and the financing of political parties, among others. In the first case, it is the Congress that can decide whether to lift the immunity of its members, and it has been very difficult, even in very evident cases, to get it done. This reform would put that responsibility into the hands of the Supreme Court in an effort to stop immunity from becoming impunity. Regarding political parties, their financing today is not at all transparent. This has led the way to dirty money flooding into political parties. Vizcarra is a very popular president. He has stood up and faced a Congress that is surrounded by corruption scandals and has put big effort into changing things in the country. He understands that we need strong democratic institutions, which today

we lack. Although he is gaining popularity on this front, he has not done a great job. Projects are not getting done, industry growth is stalled and the economy is very close

“**Projects are not getting done, industry growth is stalled and the economy is very close to recession.**”

— Carlos Arata

to recession. This is worrying, especially as next year is pre-election year, a period that is not usually very active. The changes Vizcarra is pushing will give us stronger and more transparent institutions, which we need for future and steady growth. However, the economic front should not be forgotten. Because of all the corruption scandals, public officers are not accomplishing much. The government needs to create or rebuild an environment that gives public officials confidence to make transparent decisions without being prosecuted later and that signals to investors that projects will get done within the legal framework.”

**A** **Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:** “President Vizcarra skillfully exploited the clefs and fissures affecting the opposition parties to narrowly avoid a no-confidence vote. But in order to pass reforms, he will need to engage in serious horse-trading as it is customary in Latin America. This could lead to two possible results. First is a watered-down reform that will not harm special interests, in which case Peru will join the list of Latin American countries that have ‘showcase laws,’ which make the country look good but are by no means intended to be enforced. Second is a postponement of reforms. President Vizcarra has two possible hands to play—his reputation

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as an honest public servant and support from Peruvians who increasingly demand transparency and honesty from the state. But Vizcarra's mandate is about to wind down, and opposition parties do not seem ready to depart from the centuries-old tradition of using the state as platform to access affluence. This was the seal of Spanish colonial management. In Peru, like in the rest of Latin American countries, corruption can be traced back to colonial times. The Spanish crown started the tradition of auctioning off public offices in the Americas as a way of collecting revenue. In modern times, public officials believe they have a right to get a return on their investment in supporting a given leader to reach the presidency."

**A** José E. Gonzáles, managing partner of GCG Advisors: "Since he took office, President Vizcarra has faced a Catch-22. No matter what policies he intends to enact, he does not seem to please political friends or foes amid constant attacks from public opinion and pundits alike. Instead of accepting a dragging legislature, Vizcarra called for a confidence vote over his political reform initiatives that, if denied, could have triggered article 134 of Peru's Constitution that allows the president to dissolve Congress. However,

it does not seem that the confidence vote will lead legislators to approve Vizcarra's reforms by his July 25 deadline. The six initiatives that the president has introduced are focused on legislative immunity, political

“**It does not seem that the confidence vote will lead legislators to approve Vizcarra's reforms by his July 25 deadline.**”

— José E. Gonzáles

financing, preferential voting in legislative elections, internal elections for legislators within political parties, candidate lists for legislative elections and the registration of political parties. These are contrary to the established interests of Peru's political establishment. The initiatives are key for a much-needed political reform and to consolidate anti-corruption efforts, but the confidence issue is keeping tensions high between the branches of government amid accusations of an 'authoritarian' president. This is occurring as the economy is losing steam, prompting Vizcarra's disapproval rate to surpass his approval rate, 47 percent to 42 percent, according to Ipsos Perú."

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An Inter-American Dialogue discussion with Thomas Lovejoy, George Mason University Kristina McNeff, Gordon and Betty Moore Foundation Rodrigo Botero, Fundación para la Conservación y el Desarrollo Sostenible

View a webcast of the May 29 discussion.

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