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FEATURED Q&A

Has Mexico Turned the Corner on Corruption?



Mexican authorities are reportedly investigating former President Enrique Peña Nieto for corruption. // File Photo: Chatham House.

Q Mexican authorities are investigating former President Enrique Peña Nieto in connection with the corruption case against Emilio Lozoya, the former head of state-run oil company Pemex who was arrested in Spain last month, The Wall Street Journal reported. Lozoya's lawyer has said his client, who previously denied wrongdoing, "did not act on his own." Peña Nieto, of the opposition PRI party, in the past has denied wrongdoing in relation to the case. How well are federal prosecutors in President Andrés Manuel López Obrador's administration combating high-level graft in the country? What will be the fallout of the Lozoya case and its implications for Mexican politics? To what extent are anti-corruption efforts in Mexico politicized, and what can be done to ensure the best possible approach in the fight against graft?

A Salvador Camarena, director of investigative journalism at *Mexicanos Contra la Corrupción y la Impunidad*: "AMLO has done more in the past few months to battle corruption than Peña Nieto's administration did in six years. Corruption was a trademark of the past administration. Combating high-level graft was López Obrador's main promise as a presidential candidate. Is he delivering? Yes and no. This is AMLO's paradox. He is catching 'big fish' but at the same time dismantling the incipient checks-and-balances system that Mexico had until 2018, opening many doors to corruption opportunities. Early in his presidency, AMLO announced a 'forgiveness' policy: He would not charge former presidents or shady politicians. However, he also said

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TODAY'S NEWS

ECONOMIC

Bondholders Meet With Argentine Officials

The meetings come as President Alberto Fernández's new administration attempts to persuade bondholders that his government has a plan for putting the South American country's troubled economy on a stable path after decades of turbulence.

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ECONOMIC

New Maritime Fuel Standards Boost Petrobras Exports

The Brazilian state oil company set a new record this year in the month of February for fuel oil exports, reaching 238,000 barrels per day and exceeding one million tons for the month.

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POLITICAL

Opposition Leads in Guyana Race by 50,000 Votes

With nine of Guyana's 10 electoral districts having officially declared their results, the opposition PPP/C party, led by Irfaan Ali, is ahead by more than 51,000 votes.

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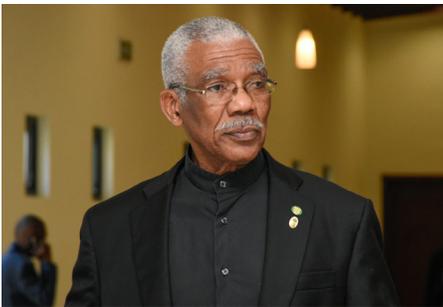


Ali // File Photo: Ali's Facebook page.

POLITICAL NEWS

Opposition Leads in Guyana Election by Just 50,000 Votes

With nine of Guyana's 10 electoral districts having officially declared their results of the country's national election, the opposition PPP/C party is leading President David Granger's APNU+AFC party by more than 51,000 votes, Stabroek News reported. The two parties were both claiming victory on Wednesday amid rising tensions as party supporters gathered outside the remaining vote-counting center after a dispute arose over a spreadsheet's data not matching corresponding documents. The matter was resolved before any violence broke



Granger // File Photo: Guyanese Government.

out. The Atlanta-based Carter Center, which among other international groups is monitoring the elections for fairness, has called on everyone, including political parties, to refrain from declaring election results while the country waits for the Guyana Elections Commission (GECOM) to officially report them. "We appeal to political parties to refrain from declaring any results if they want to do justice to democracy in Guyana," Aminata Touré, the co-chair of the Carter Center, stressed. The head of the European Union's election team in Guyana, Urmas Paet, has called out the APNU+AFC coalition and opposition PPP/C for using state resources to campaign for Monday's general and regional elections. Again on Wednesday, parents kept their children from school, and there was an obvious slowdown in business activity, leaving locals nervous and frustrated. Collecting ballots from remote locations in

territory dominated by forests, mountains and rivers can be slow, and full results are not expected until Friday, Agence France-Presse reported. The election is being watched more closely than might ordinarily be the case because the eventual winner will be in control of a coming oil boom that is expected to transform Guyana. [Editor's note: See related [Q&A](#) in the Feb. 21 issue of the weekly Energy Advisor.]

ECONOMIC NEWS

Private Bondholders Meet With Argentine Officials on Debt

Some of Argentina's largest private sector creditors flew to Buenos Aires this week for talks with Alberto Fernández's government over debt negotiations, Bloomberg News reported Wednesday, citing people familiar with the matter. Representatives from BlackRock, Pacific Investment Management Co. and Ashmore Group met with Economy Minister Martín Guzmán, a respected U.S.-trained economist who has little direct experience in debt negotiation. Guzmán today is set to meet with investors from Greylock Capital, according to the report. The meetings come as Fernández's new administration attempts to persuade bondholders that it will negotiate in good faith and the government has a plan for putting the South American country's troubled economy on a stable path after decades of turbulence. However, the new program being discussed by Argentina and its biggest single lender, the International Monetary Fund, could set up private bondholders for heavy losses without requiring the spending cuts needed to make the country solvent, investors told Reuters in a report this week. "Our view is that the capacity for Argentina to service its debt is a lot higher than what the government claims and they should be aiming for a higher fiscal surplus," Steffen Reichold, portfolio manager at Stone Harbor Investment Partners, which holds some Argentine debt, told Reuters. Guzmán, 37, insists that growth, not fiscal surpluses, should be first on

NEWS BRIEFS

Ronaldinho Held in Paraguay Over Passport

Former Brazil soccer star Ronaldinho is being held by police in Paraguay for allegedly using a fake passport to enter the country, BBC News reported. Police on Wednesday searched the hotel in Asunción where the star had been staying with his brother. Ronaldinho was scheduled to be heard this morning at the prosecutor's office, Interior Minister Euclides Acevedo told Agence France-Presse. Last year, the player reportedly had his Brazilian and Spanish passports confiscated over unpaid taxes.

Twitter Tests Vanishing Tweets in Brazil

U.S.-based social media platform Twitter said Wednesday it has chosen Brazil as a testing ground for a way for users to "think aloud" with tweets that vanish after a day instead of having posts linger, the Associated Press reported. The disappearing post concept was first made popular by Snapchat and later adopted by Facebook and other platforms. "The name of this is Fleets. Want to know the best? They disappear after 24 hours," the company said in a message posted from its @TwitterBrasil account.

Jamaica Draws Up New Quality-of-Service Rules for Telecom Providers

Jamaica's government is drawing up new quality-of-service rules for the telecommunications sector amid complaints from customers about poor service, the Jamaica Gleaner reported. Minister of Science, Energy and Technology Fayval Williams told parliamentarians Wednesday that the state of the telecoms sector in Jamaica is inadequate and that her ministry was working with the Office of Utilities Regulation to finalize the rules. Claro, owned by Digicel, and Flow, owned by Cable & Wireless, are two of the largest phone service providers in Jamaica, among others.

the agenda as he tries to steer Latin America's third-biggest economy toward solvency.

BUSINESS NEWS

New Maritime Fuel Standards Boost Petrobras Exports

Brazilian state oil company Petrobras said Wednesday it set a new record in February for fuel oil exports, reaching 238,000 barrels per day and exceeding one million tons for the month. The new world standard for marine fuels, known as IMO 2020, which has reduced the sulfur rate limit sharply, "generated an unique opportunity" for the company, Petrobras said in a statement. Both oil and fuel oils produced by the company tend to have low sulfur rates. Although the coronavirus outbreak restricted demand in Asia, traditionally the top destination for Petrobras exports, the company said it shipped more oil and fuel oils to the Caribbean, United States and Europe to compensate for the drop. "It is important to highlight that it is not yet possible to safely estimate all the impacts the company may suffer concerning its operations and results, considering the unfolding events of the COVID-19 outbreak in the world economy," Petrobras said in a statement. [Editor's note: See [Q&A](#) on IMO fuel standards in the Aug. 2 issue of the weekly Energy Advisor.]

Venezuela Moves to Seize Assets of Six Shipping Agencies

Venezuela's judiciary has moved to seize the assets of six private shipping agencies over debts to state oil company PDVSA, Reuters reported Wednesday. According to a government document seen by Reuters dated Feb. 17, a Caracas criminal court decreed the seizure of assets belonging to the six agencies for alleged "misappropriation" of funds. The letter did not state how much money the agencies

owed PDVSA. Port and shipping agencies, working on behalf of PDVSA's customers or fuel suppliers, pay the state-run firm for the use of oil terminals that it owns. The agencies also pay fees to Venezuela's INEA maritime authority for services such as anchorage and tugboats. In the weeks since the letter was sent, intelligence police have conducted raids on several of the private shipping agencies,

taking documents and computers with them, according to the people who spoke to Reuters. U.S. sanctions on the administration of socialist President Nicolás Maduro have left shipping agencies reluctant to do business with PDVSA, crimping oil exports perceived as critical to keeping Maduro in power. Maduro last month declared an "energy emergency" and created a commission to rehabilitate PDVSA.

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that he would not interfere in judicial cases his attorney general opens. Fifteen months later, it's crystal clear that he wants big names in jail. No more forgiveness? Is he going after Peña Nieto? It's too soon to say. AMLO is not crazy—he doesn't want to open a Pandora's box. He is cherry-picking, to send the right message about accountability, while trying to maintain government stability. Prosecuting every single corruption case would make the whole system collapse. Lozoya was close to Peña Nieto. If Lozoya falls, the logical next step would be for Peña Nieto to follow. Given Mexico's flat economic growth, prosecuting past administration figures sends the right message and makes AMLO popular. He has had a very good beginning, but we need to see more. We need a president that builds institutions. He

AMLO is not crazy—he doesn't want to open a Pandora's box."

— Salvador Camarena

has proved that he can clean the system: he forced the resignation of a Supreme Court judge that Peña Nieto appointed, and the fall of a powerful Pemex union leader, among other big anti-corruption wins. But can he also build agencies that improve accountability? Mexico has seen the prosecution of corruption while witnessing AMLO's daily effort to isolate civil society, erode the press and dismantle watchdogs. He wants to be the only 'tough guy' in the country. Repeating

in his daily press conferences that he is different—meaning, honest—will not be enough, even if Peña Nieto falls."

A Eduardo Bohórquez, executive director of Transparencia Mexicana: "There is no formal investigation of former President Peña Nieto. The WSJ report was denied by the Attorney General's Office and President López Obrador himself. In a moment of tension about the future of a justice reform by the attorney general, this was just a pressure valve activated. Lozoya and his lawyer, as part of a strategic litigation model, are just exercising pressure on the previous administration to maintain political protection. There is a shift from previous administrations in terms of combating high-level graft. Corruption control is a top priority for the president. A new constitutionally autonomous attorney general has been appointed, and an intensive use of the Financial Intelligence Unit for anti-corruption is in place. Despite the renovated efforts, they are still, as in many countries in Latin America, just undergoing investigations without any sanction or asset recovery up to this point. Anti-corruption justice has always been politically driven. The risk is that it could remain the same for President López Obrador. Lozoya's detention is part of the old playbook of Mexican federal authorities. They are not prosecuting a corruption network but a 'corrupt politician.' Former Pemex CEOs have been investigated for corruption in the past, as well as Pemex union leaders. The old tactic, known as 'roasting,' maintains

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the political tension necessary for mid-term elections and political control of the opposition. If a true transformation is to be seen, it will lead to an investigation of a wide network of politicians and business counterparts, including Pemex's union, and at least hundreds of millions in recovered assets. In this sense, Lozoya's case has been played old-style. Nothing new there, yet. Up to this point, anti-corruption prosecution in Mexico has been as politically driven as elsewhere in Latin America. In order to be less political, anti-corruption efforts demand a criminal prosecution policy and oversight bodies that secure that justice is applied evenly and that there is a single standard in our justice system—not one for the allies (both private and public) and a different one for the political opposition. With the government's absolute control of both chambers in Congress, this hardly is going to be the case."

A **Megan Gordon, partner at Clifford Chance:** "In order to mitigate an economic recession and truly move the bar in Mexico's anti-corruption efforts, including with respect to public perception, President López Obrador's administration would do well to consider conducting coordinated and organized investigations against a broad range of industries that are not seen as politically motivated. When President

López Obrador was elected in July 2018, he had a clear mandate to take on the culture of corruption in Mexico. Since taking office in December 2019, he has made combating corruption a key piece of his administration, and we've certainly seen actions to do just that, including measures taken by Mexico's Financial Intelligence Unit. But some of his actions have not been systematic, and those taken against his political opponents, while popular, have been criticized. That being said, although it seems that certain

“There is, of course, a large potential for backlash.”

— Megan Gordon

prosecutions have been uneven, as seen in the Lava Jato scandal in Brazil, taking large actions against important companies, such as Pemex's contractors, and significant figures, such as Peña Nieto and his inner circle, can usher in a change in culture and begin a wave of compliance to avoid local and Foreign Corrupt Practices Act (FCPA) investigations. There is, of course, a large potential for backlash, and if President López Obrador's actions are not seen as legitimate and in an orderly fashion, they could have an adverse impact on the foreign investors' perception."

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2020

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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 ebrand@thedialogue.org

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Advisor Video

Fitch's Shelly Shetty on Latin America's Ratings Outlook

The Latin America Advisor sat down with Shelly Shetty, co-head of Americas Sovereign Ratings at Fitch Ratings, to discuss the coronavirus outbreak, global trade and their impact on Latin America and the Caribbean's economic and ratings outlook.



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