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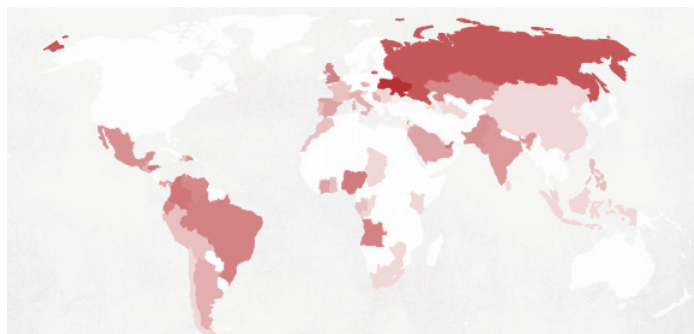
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FEATURED Q&A

Can Latin America's Leaders Regain the Public's Trust?



The Pandora Papers include leaked information about financial and business activity of politicians from more than 90 countries and territories around the world. // File Photo: International Consortium of Investigative Journalists.

Q Dozens of Latin American leaders, including three current and 11 former presidents and several business executives, were named in the International Consortium of Investigative Journalists' release of a portion of the so-called "Pandora Papers" on Oct. 4. The leaked documents include information about elites from around the world and their alleged use of offshore shell companies and tax shelters. To what degree will this data leak further dent the trust that Latin Americans have in their political leaders? How much will politicians in the region use the accusations to target political opponents? How has the revelation of the United States as a host to tax-sheltered accounts affected its credibility in the global effort toward improved financial transparency?

A Naomi Roht-Arriaza, distinguished professor of law at the University of California, Hastings: "The Pandora Papers revelations will further dent the already minimal trust that Latin Americans have in their political leaders. At the least, tax minimization strategies and lack of transparency in finances run contrary to the rhetoric of many leaders. Offshoring results in more than \$21 billion a year in tax losses regionally, according to a recent study. At most, the investigations now starting may uncover tax evasion, fraud and the fate of the proceeds of the wholesale looting of public coffers that has plagued the region. The revelations may also contribute to a growing movement to connect high-level corruption and tax evasion to human rights. The funds stashed abroad, whether the result of kleptocracy or tax avoidance, could have been used to house, care for and educate

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TODAY'S NEWS

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Haitian Gang Seeks \$17 Million for Release of Missionaries

The Haitian gang that kidnapped 17 members of a U.S.-based missionary group demanded \$1 million each for their release. The missionary group includes five children.

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BUSINESS

Community Group Plans to Block Key Road to Peruvian Mine

A Peruvian community group said it would block a road that is key to MMG's Las Bambas copper mine. The project has faced stiff local opposition.

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ECONOMIC

López Obrador Vows to Work With U.S. on Climate

Mexican President Andrés Manuel López Obrador vowed to work with the United States on climate change during a event with U.S. climate envoy John Kerry.

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López Obrador and Kerry (L-R) // Photo: Mexican Gov't.

POLITICAL NEWS

Haitian Gang Seeks \$17 Mn for Release of Missionaries

The Haitian gang that kidnapped a group of 17 U.S. and Canadian missionaries last weekend has demanded \$1 million each for their release, Haitian Justice Minister Liszt Quitel said Monday, The Wall Street Journal reported. The group of missionaries includes five children—aged 3, 6, 14 and 15 years old, as well as an 8-month-old baby—said Quitel. The negotiations could take weeks, he added. “We are trying to get them released without paying any ransom,” said Quitel. “This is the first course of action. Let’s be honest: When we give them that money, that money is going to be used for more guns and more munitions.” Haitian authorities want to achieve an outcome similar to what happened last April when the same gang, known as 400 Mawozo, abducted a group of Catholic priests and nuns, said Quitel. After a few weeks, the gang released the five priests, two nuns and three family members after a ransom was paid for just two of the priests. “That would be the best outcome,” said Quitel. The missionaries are members of Ohio-based Christian Aid Ministries. The gang is holding them at a safe house outside Croix-des-Bouquets, said Quitel. The gang controls the town, which is a suburb of Port-au-Prince, The Wall Street Journal reported. U.S. President Joe Biden has been briefed on the situation, White House Press Secretary Jen Psaki said Monday. “The FBI is part of a coordinated U.S. government effort to get the U.S. citizens involved to safety,” Psaki said Monday. “We can confirm their engagement, and the U.S. Embassy in Port-au-Prince is coordinating with local authorities and providing assistance to the families to resolve the situation,” Psaki added, The New York Times reported. Sixteen Americans and one Canadian are in the group that the gang abducted. The abduction of the missionaries led thousands of people in Port-au-Prince to go on strike to protest the beleaguered Caribbean nation’s lack of security,

the Associated Press reported. Businesses and schools were closed, and public transportation drivers remained home. “The population cannot take it any more,” Holin Alexis, a moto taxi driver who joined the strike, told the AP.

U.S. Calls on Maduro to Resume Talks With Opposition

The U.S. State Department called Monday on the Venezuelan government to resume talks with the opposition, the Voice of America reported. President Nicolás Maduro suspended the dialogue following the extradition of his ally, Colombian businessman Alex Saab, from Cape Verde to the United States, to face money laundering charges. “If [the] Maduro regime was serious about its stated concerns of the Venezuelan people, they would actually sit down with their fellow countrymen and work towards solutions,” said Assistant Secretary of State Brian Nichols. Saab was arraigned Monday in a Miami federal court on eight counts of money laundering, the Associated Press reported. He is to enter a plea at another court appearance in two weeks.

ECONOMIC NEWS

Mexico’s AMLO Vows to Work With U.S. on Climate Change

Mexican President Andrés Manuel López Obrador on Monday vowed to work with the U.S. government to push for stronger action on climate change, the Associated Press reported. At an event with U.S. climate envoy John Kerry, López Obrador said that “we are going to support the plan President [Joe] Biden is promoting” ahead of a U.N. climate conference in Glasgow, Scotland, at the end of the month. Kerry appeared alongside López Obrador at a ceremony for Mexico’s tree-planting program, in which the government pays farmers a

NEWS BRIEFS

Ecuador’s Lasso Declares State of Emergency to Fight Drug Trafficking

Ecuadorian President Guillermo Lasso on Monday declared a state of emergency in the country to battle drug trafficking and other crimes, saying the military and police will take to the streets to provide security, the Associated Press reported. In a national broadcast, Lasso said drug trafficking is the “one enemy,” adding that Ecuador had gone from being a trafficking zone to a country that also consumes drugs. The state of emergency gives authorities power to restrict freedom of movement, assembly and association.

Mexico City Prosecutors Charge 10 in Deadly Metro Collapse

Mexico City prosecutors have brought criminal charges against 10 “individuals and companies” for construction and design flaws that caused an elevated subway line to collapse in May, killing 26 people, the Associated Press reported. Ulises Lara, the spokesman for the city attorney general, said the charges are for negligent or involuntary homicide, damages and causing injuries. He did not detail the names of those charged. [Editor’s note: See related [Q&A](#) in the May 12 issue of the Advisor.]

Brazilian Gov’t Reportedly Eyes Combining Pandemic Relief, Bolsa Família

The Brazilian government is looking at combining pandemic relief payments and the country’s Bolsa Família welfare program into a single monthly stipend of 300 reais (\$54.42), a move that could take effect next year, Reuters reported Monday, citing an unnamed Economy Ministry official with knowledge of the matter. The government is considering that possibility because of budget constraints and congressional opposition to tax reforms, said the source.

monthly stipend to plant and care for trees, and which López Obrador says is a solution to both climate change and migration. The Mexican president has been trying to get the United States to fund an expansion of the program into Central America, but the U.S. government has so far been hesitant, the AP reported. At the event, Kerry lauded the reforestation effort, adding that the U.S. energy transition away from fossil fuels would open an opportunity for Mexico to manufacture electric vehicles, creating jobs in that sector, Reuters reported. "Mexico's industrial base, already deeply integrated with the rest of North America, absolutely stands to benefit from the energy transition," Kerry said. Critics of López Obrador have blasted the president's energy policies, in particular his efforts to favor state utility CFE over private power generators that produce much cleaner electricity.

BUSINESS NEWS

Peruvian Community Plans to Block Road to Las Bambas Mine

A Peruvian community will block a road that is key to MMG's Las Bambas mine, the country's fourth-largest copper mine, in protest after failed talks with the government, a community leader told Reuters on Monday. Víctor Limaypuma, the president of the Cotabambas Defense Front, said the roadblock would be upheld indefinitely and would affect all vehicles transiting the road. The mine is located in the Cotabambas province in the Peruvian Andes, where the project has faced significant local opposition since its operations started in 2016. Local leaders have blocked the dirt road the miner uses to transport its copper, known as the "mining corridor," for more than 300 days since then, Reuters reported. Critics, including Limaypuma, say the Las Bambas project has brought pollution to the area and has delivered very little in terms of economic development. Hundreds of trucks are estimated to transit the key mining road every day.

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citizens, and to contribute to a common good that has been increasingly abandoned. The Pandora Papers will spur movements to connect corrupt actions to ways that specific people and groups, not just the state itself, have been harmed. In particular, they could spur efforts to allow victims of high-level corruption—those whose lands, resources or services were stolen—to sue to recover the missing funds. The United States has lost credibility in this fight by allowing lax U.S. state governments to host secret accounts with little oversight. To regain it, the United States should improve anti-money laundering rules for law, consulting and accounting firms that serve as intermediaries for corrupt deals, limit beneficial (that is, secret) ownership, as well as pass legislation, now pending in Congress, to step up pressure against kleptocracy abroad."

A Adam Blackwell, vice president for international at Development Services Group and former Canadian ambassador

to the Dominican Republic: "I usually think of corruption as having four components: the corrupt, the corruptors, tolerance and impunity. The Panama Papers and now the Pandora Papers expose two things clearly: there is no shortage of the corrupt and the corruptors, such as the banks that facilitate these practices; and that our state institutions are not up to the task of monitoring and preventing this themselves. There will be lots of finger pointing, some of it political. In Chile, the opposition wants to impeach President Sebastián Piñera five weeks before the presidential election. Some will attack the media as 'fake' news, and there will be international organizations such as the G20 and our hemispheric ones that will make the usual promises of action. We owe it to the vast majority of the people of our region who work incredibly hard and play by the rules that there be real consequences, or else the practices will continue and be tolerated. This will require a multistakeholder

effort. The brave journalists at the ICIJ will keep us honest by keeping up the pressure on financial compliance professionals and corrupt businesses and politicians, as well as by exposing the reputation of businesses that are complicit. Criminal justice and finan-

“ Citizens will make corrupt politicians pay at the ballot box and will boycott businesses that are involved.”

– Adam Blackwell

cial oversight institutions will prosecute to the full extent of the law. Citizens will make corrupt politicians pay at the ballot box and will boycott businesses that are involved. International institutions will work together on systemic checks and balances so that these practices become easier to detect and prevent. Our hard-fought democratic legitimacy is at an all-time low. We need to seize this opportunity to act."

A James Bosworth, author of the Latin America Risk Report: "Even before the Pandora Papers leak, Latin Americans' faith in

democracy as the best form of government was near an all-time low. While significant corruption exists in the hemisphere's authoritarian regimes, the Pandora Papers added to the pile of evidence that democratically elected leaders and wealthy business elites abuse their positions of power and influence to profit and escape taxation. Specific examples of corruption will likely face blowback, particularly in Chile, but the larger regional effect will be to solidify the trend that citizens don't trust their governments and increasingly doubt that democratic institutions can deliver on their promises. Reversing that trend will take a lot of work; in the meantime, populists and authoritarians will benefit by pointing out the flaws of democratic politi-

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cians and institutions. The Pandora Papers are also a reminder that many of those elites can hide their fortunes within shell corporations and trusts in the United States. The Biden administration has committed to combating corruption in Latin America as part of rebuilding U.S. influence in the hemisphere, and it should start by rapidly and effectively enforcing new regulations that require greater disclosure of beneficial ownership and share that information with authorities that can enforce taxes.”

A **Will Freeman, PhD candidate in politics at Princeton University:** “Regional trust in political leaders is already shockingly low. The Pandora Papers could make the problem even worse: if the allegations are true, citizens are right to be upset that their governments are unwilling or unable to uphold financial transparency and effectively tax the wealthiest. The fallout for individual leaders will likely depend on pre-existing levels of popularity. Chile’s Piñera, already widely disliked, is likely to face severe consequences. Ecuador’s Lasso may see his sky-high approval ratings slip and his

coalition crumble but is more likely to finish out his term. Meanwhile, the papers come as a windfall to outsiders who argue status quo politics are broken to the core, from Chile’s presidential front-runner, Gabriel Borić, to El Salvador’s Nayib Bukele. Odebrecht, the last regionwide corruption scandal, exposed that the political will to take on corruption and financial secrecy across the region differed starkly by country. The Pandora Papers may similarly serve as a litmus test for the strength of the region’s judiciaries, most of which suffered backlash after earlier attempts to investigate corruption and are now weaker than before. The biggest danger, however, is that the scandal will set off a new wave of anti-corruption populism, where voters decide the entire political establishment is corrupt and take their chances on a lesser known (yet not necessarily less corrupt) outsider. That was the story of Jair Bolsonaro, and today, Brazil is much worse off for his presidency. It would be a tragedy for the pattern to repeat elsewhere.”

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

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Advisor Video

Youth Employment and Sustaining Latin America's Economic Recovery

An Inter-American Dialogue discussion with Gabriella Bighetti, United Way
Maria Victoria Fazio, Inter-American Development Bank
Ana Tacite, Coca-Cola Brazil Foundation
Jamie McAuliffe, Aspen Institute Forum for Community Solutions
... and others

View a webcast of the Oct. 13 discussion.

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