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## FEATURED Q&A

# What Is the Long-Term Impact of the Petrobras Scandal?



Brazilian Supreme Court Justice Edson Fachin (pictured) was tapped last week to handle cases related to the Petrobras corruption case following the death last month of Justice Teori Zavascki. // File Photo: Brazilian Government.

**Q The number of suspects in Brazil's massive Petrobras corruption case is expected to double following confessions from former executives of construction conglomerate Odebrecht, the case's lead prosecutor said Jan. 26. How well are the country's judiciary and prosecutors handling the case? How does the recent sudden death of Supreme Court Justice Teori Zavascki, who had been overseeing the investigation, affect the case? What is the long-term impact of the case on Brazil's judiciary and on corruption investigations in the country?**

**A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue:** "Brazil's judiciary—judges, prosecutors and investigators—is the crown jewel of Brazil's democratic institutions. For the Brazilian public, the judicial system is the only honest and effective branch of government. It is among the two or three most respected in Latin America. Although sometimes accused of being overly aggressive, the judiciary has confronted the massive Petrobras kickback and bribery scheme in an exemplary fashion. The tragic death of Supreme Court Justice Zavascki, who was managing the investigation, has not derailed the case or even slowed it very much, thanks to decisive action of the court's president. Still, the integrity of the Brazilian government remains at risk. Getting the political and business leaders responsible for the Petrobras scheme out of power and into prison will be a landmark achievement. Whether it will be a significant deterrent to future corruption is uncertain. Recall the Mensalão case, which led to the imprisonment of a slew of top party leaders

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## U.S. Lawmakers Seek Sanctions Against Officials in Venezuela

A bipartisan group of 34 legislators called on U.S. President Donald Trump to sanction Venezuelan officials responsible for corruption and human rights abuses.

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### BUSINESS

## Workers at Escondida Mine Plan to Strike Thursday

Talks between workers and mine owners over a benefit package broke down.

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### POLITICAL

## Prosecutors Seek Arrest of Peru's Toledo

Peruvian prosecutors asked a judge to order the arrest of former President Alejandro Toledo in connection with an investigation into bribery of Peruvian officials by Brazilian construction firm Odebrecht.

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Toledo // File Photo: TV Perú.

## POLITICAL NEWS

## Peruvian Prosecutors Seek Toledo's Arrest

Prosecutors in Peru on Tuesday asked a judge to order the arrest of former President Alejandro Toledo on suspicions that he was involved in a bribery scandal linked to Brazilian construction conglomerate Odebrecht, Reuters reported. On Saturday, authorities searched Toledo's home in Lima after they discovered \$11 million in the bank account of one of Toledo's associates. Prosecutors believe the money

**Odebrecht has acknowledged paying \$20 million in bribes to Peruvian officials.**

was part of the \$20 million that Odebrecht has admitted to using to bribe Peruvian officials during Toledo's term in office, which lasted from 2001 to 2006. It was unclear on Tuesday where Toledo was, but on Friday, he denied wrongdoing in a phone interview from Paris with local daily newspaper *El Comercio*. In their request, the prosecutors asked Judge Richard Concepción to order Toledo jailed for as long as 18 months while they prepare charges against him, the country's attorney general's office said in a tweet. Odebrecht acknowledged in December in a settlement with U.S. prosecutors that it paid hundreds of millions of dollars in bribes in order to secure contracts in several Latin American countries. Also on Tuesday, prosecutors in Colombia said President Juan Manuel Santos' campaign may have received a contribution of nearly \$1 million that originally came from Odebrecht, the Associated Press reported. Santos has denied receiving donations from the company, and it was unclear what evidence prosecutors had to support the claim. In a statement, Chief Prosecutor Néstor Martínez, a former top aid of Santos', said he was alerting authorities so that they could launch an investigation. Santos' campaign manager said Tuesday that any claims of links

between Santos' campaign and Odebrecht were unfounded. Last month, Santos denied receiving any money from Odebrecht. "So far no official from my government has been accused of taking bribes from Odebrecht, but if that should occur I want the entire weight of the law to fall on them," he said. Santos' transparency secretary, Camilo Encisco, said Tuesday that the president welcomed any investigation to clear up doubts about the situation.

## Colombia Formally Launches Peace Talks With ELN Rebels

The Colombian government and the country's Marxist National Liberation Army, or ELN, rebels officially began peace talks on Tuesday in a bid to end their five-decade conflict, which along with the government's conflict with other Marxist rebel groups, including the FARC, have led to the deaths of hundreds of thousands of Colombians, the displacement of millions and a damaged economy, Reuters reported. The ELN is the country's second-largest rebel group, and it hopes to reach an agreement with the government that is similar to the one reached last year with the Revolutionary Armed Forces of Colombia, or FARC. The deal allowed FARC rebels to form a political party in exchange for laying down their arms, among other concessions on both sides. The negotiations, which are being held in Ecuador, stalled in November, pending the release of a politician the ELN held hostage for nearly 10 months. The ELN is considered a terrorist group by the United States and the European Union, and has extorted, bombed oil and electricity infrastructure and kidnapped hundreds of people over the course of 52 years, in order to raise funds for the war and put pressure on the government to meet the group's demands. "Fortunately, today in Colombia we are trying to develop a political solution to the conflict," said ELN negotiator Pablo Beltrán at the launch of the talks. "Peace is for all Colombians; it's peace for the region and a ray of hope for humanity. New generations, the victims of the conflict and the whole world are waiting for us to be wise and big

## NEWS BRIEFS

## U.S. Lawmakers Urge Trump to Sanction Venezuelan Officials

A bipartisan group of 34 U.S. lawmakers sent a letter to President Donald Trump urging him to immediately sanction all Venezuelan officials responsible for corruption and human rights abuses, the Associated Press reported today. The letter also called for a probe into alleged drug trafficking and support for Middle East terror groups by the country's newly appointed vice president, Tareck El Aissami. Neither Trump nor his secretary of state, Rex Tillerson, have indicated whether their policy toward Venezuela will diverge from former President Barack Obama's call for dialogue between President Nicolás Maduro and the country's opposition party.

## Moïse Takes Office as Haiti's President

Jovenel Moïse was sworn in as president of Haiti on Tuesday, bringing an extended two-year election cycle to a close, the Voice of America reported. Moïse had been hand-picked by former President Michel Martelly to succeed him as his *Bald Heads Party* candidate. The president won with nearly 56 percent of the votes cast in the Nov. 20 election. Moïse continues to face accusations of money laundering. Last month, he spent four hours answering an investigative judge's questions regarding the allegations. He has denied all wrongdoing.

## Itaú Unibanco Expects to Cut Provisions This Year

Itaú Unibanco Holding, Brazil's largest bank by market value, is expecting to cut its loan-loss provisions by at least a quarter this year, Reuters reported Tuesday. The bank projected loan portfolio growth of as much as 4 percent this year, despite declining interest income. The bank reported recurring net income of 5.82 billion reais (\$1.86 billion), beating estimates.

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and public officials for graft and widespread bribery of legislators. That investigation began in 2005, a dozen years ago. Yet today, the Brazilian Congress remains polluted by corruption. The former speaker of Brazil's Chamber of Deputies was recently jailed for corruption. His counterpart in the Senate, also charged with corruption, has been forced to leave his post. His replacement is suspected of corruption as well. Upwards of 60 percent of the nation's legislators and many other elected officials are currently targets of judicial investigations. Five cabinet members resigned last year following corruption allegations. President Temer himself is under judicial scrutiny. The point is that, after a dozen years of trials, Brazil's political institutions are still rife with corruption. It is also unclear whether the recent potency of the judiciary simply reflects the feeble state of the Brazilian presidency and Congress. Would a strong, respected president or a more credible Congress curb judicial power? The limited success of anti-corruption campaigns anywhere in Latin America makes it difficult to be optimistic about Brazil's prospects. But the extraordinary accomplishments of the nation's judges, prosecutors and investigators are still surely deserving of admiration and applause."

**A** **Gilberto M. A. Rodrigues, research fellow at the Center for Latin American and Latino Studies at American University in Washington and professor of international relations at the Federal University of ABC in Brazil:** "The death of Supreme Court Justice Teori Zavascki was a great loss for the Supreme Court and for the country, due to his firm and competent handling of all his cases, in particular those related to the 'Car Wash' judicial operation. The coincidence that his death occurred just before his approval of the confessions from former Odebrecht executives opened room to all sorts of public speculations, including a possible government maneuver to weaken

and eventually erode those investigations. The Supreme Court President Cármen Lúcia assumed the case and herself approved the confessions, avoiding the threat that shadowed the investigations during those tense days. Yet, the nomination of Supreme Court Justice Edson Fachin to succeed Zavascki in the case also stopped fears that

“**The death of Supreme Court Justice Teori Zavascki was a great loss for the Supreme Court and for the country....**”

— Gilberto M. A. Rodrigues

a new justice nominated to the court could head the case, according to some legal interpretations. The long-term impact of the case will depend mainly on the short-term effects it could have on the political system, due to the wide range of politicians and parties affected. What if the president and his inner political circle are accused? What if the government cannot sustain itself if the investigation's findings put it in a corner? The outcomes of those scenarios are crucial before we can speculate on the case's long-term impact on the country."

**A** **Charles H. Blake, professor of political science at James Madison University:** "The 'Operation Car Wash' case picked up momentum in mid-2015 when the investigating judge, Sergio Moro, arrested CEO Marcelo Odebrecht. Odebrecht was convicted in early March 2016 and Moro then briefly detained former President Lula da Silva for questioning. These events galvanized the drive to impeach President Dilma Rousseff in votes taken from April through late August 2016. The criminal investigation deepened. Zavascki was reviewing the plea-bargain-

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enough to overcome this futile war," said the government's chief negotiator, Juan Camilo Restrepo.

## BUSINESS NEWS

## Workers at Chile's Escondida Mine Plan to Strike Thursday

The main miner's union at the BHP Billiton-run Escondida copper mine said Tuesday they will strike on Thursday, after the failure of negotiations mediated by the Chilean government over a benefits package that would place new and longtime workers on equal footing, Reuters reported. "[BHP Billiton] doesn't want to change its position, so we understand that there is nothing left to negotiate ... there is nothing left to talk about, we've already talked a lot and we are definitely going on strike,"



Allendes // File Photo: Escondida Union No. 1.

said union spokesman Carlos Allendes. The strike is set to begin at 8 a.m. local time on Thursday. Workers warn the strike would halt production to "practically zero" at the world's largest copper mine and could last a long time, potentially affecting global copper supplies. The price of the metal has increased sharply in recent weeks over fears of a potential strike at Escondida, which produced 6 percent of the world's supply of copper in 2015. On Friday, the company and Escondida Union No. 1 began a five-day government-mediated negotiation period that effectively delayed a strike the union voted for last week. Allendes has said the union will not sit down to negotiate with the company on Wednesday.



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ing agreements of nearly 80 Odebrecht executives at the time of his death. Their testimonies could implicate numerous public officials and business executives. The Brazilian Supreme Court may review these plea bargains expeditiously—rather than assigning the task to Zavascki's replacement as would normally happen. Swift action might avoid casting suspicions on President Michel Temer's nomination of a replacement, as Temer is rumored to be implicated in the scandal. The legislature was criticized for impeaching Rousseff on the contested charges of inaction in the Petrobras scandals and of budgetary manipulation, not for actively impeding the criminal investigations or benefiting financially. The courts received praise for several convictions, but Moro has been criticized by focusing more on the Workers' Party (led by Lula da Silva and Rousseff) than on politicians from other parties. The legacy of 'Operation Car Wash' has not been fully determined."

**A** **Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:** "Justice Gilmar Mendes correctly observed that the value of the 'Car Wash' case is that it has made systemic reform inevitable. Brazil now needs to let the justice system finish its job while concentrating on other areas of institutional development. These areas need to address future governability, which is a byproduct of the rule of law. Strengthening checks and balances and reducing cumber-

some regulations that aim to facilitate the performance of the infamous 'jeitinho' (or a gimmick to circumvent law in favor of the powerful) are the most important tasks for Brazil. The country then needs to address

“**Brazil now needs to let the justice system finish its job while concentrating on other areas of institutional development.**”

— **Beatrice Rangel**

the Iberian inheritance that so well explains the differential results in terms of development and human progress on both shores of the Rio Grande. Nations on the southern shore were created as extractive platforms aimed at providing the metropolis (Spain and Portugal) with increasing resources. In order to achieve that goal, property of natural resources was kept by the crown and communities were designed to concentrate in rent extraction as opposed to wealth creation. Rent extraction demands corporative organizations that share one single aim: participation in proceeds. This has led to exclusion, lack of competitiveness, absence of rule of law and underdevelopment. Bringing state ownership of natural resources to an end is the unavoidable task of Latin American millennials."

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2017

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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](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [freetrial@thedialogue.org](mailto:freetrial@thedialogue.org)

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