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FEATURED Q&A

How Will a Graft Probe Affect Argentine Politics?



Many of those implicated in a corruption probe in Argentina are allies of former President Cristina Fernández de Kirchner and her late husband and predecessor, Néstor Kirchner. // File Photo: Argentine Government.

Q Argentine authorities have raided the homes and businesses of high-level executives and former government officials in a corruption probe in connection to former President Cristina Fernández de Kirchner and her late husband Néstor Kirchner, *La Nación* reported. The case stems from the revelation of secret notebooks kept by Oscar Centeno, a former driver of a public works employee, which allegedly implicate more than a dozen important Argentine figures. Former President and current Senator Fernández, whose legislative immunity protects her from being detained, has been called to testify before a federal court on Monday. Although there has been no official announcement, there has been speculation that Fernández is planning to run for president in 2019, *Clarín* reported in July. What consequences does the investigation have on Argentina's current political environment? How likely is it that Fernández will run for president next year, and how might the corruption probe and other investigations weigh into her decision to run? Will it have any wider effect on business and investment in the South American country?

A Charles H. Blake, professor of political science at James Madison University's School of Public & International Affairs: "The few businesspeople who have confessed to wrongdoing (in exchange for an end to their preventive detention) deny paying bribes; they claim that they made unregistered campaign contributions under duress. These arrests were based on photocopies of Oscar Centeno's notebooks alleging massive bribes. After these arrests, prosecutor Carlos Stornelli interrogated Centeno. Centeno

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NAFTA Talks Drag on Amid New Sticking Points

Talks between U.S. and Mexican negotiators continued as new sticking points emerged over automotive parts.

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Dozens Injured in Blast at Usiminas Plant

Thirty people were hurt in the explosion at the plant of Brazilian steelmaker Usiminas in Brazil's Minas Gerais State.

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POLITICAL

Venezuela Asks Interpol for Arrest of Politician

Venezuela's government said it was seeking the arrest of opposition politician Julio Borges, the former speaker of the National Assembly. The government accuses Borges of involvement in what it says was a drone attack against President Nicolás Maduro more than a week ago.

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Borges // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuela Seeks Arrest of Exiled Opposition Politician

Venezuela's government said Friday that it had asked Interpol to arrest exiled opposition politician Julio Borges, whom it accuses of involvement in an apparent attack more than a week ago against President Nicolás Maduro, Agence France-Presse reported. "We are seeking code red for Mr. Julio Borges," said Venezuelan Communications Minister Jorge Rodríguez, referring to an Interpol "red notice," or a request by a country to locate and detain a wanted suspect in another country. Borges, a former speaker of Venezuela's opposition-controlled National Assembly, has been living in Colombia. Maduro's government has blamed the opposition for the Aug. 4 incident in which Maduro was giving a speech at a military parade in Caracas and drones carrying explosives detonated nearby. Maduro was unhurt in the incident, which his government has called an assassination attempt. The government said seven soldiers were injured. Borges has called Maduro's allegations against him a "farce." Borges and other opposition politicians have accused Maduro of using the drone incident to increase repression and persecution against the opposition. Venezuela's opposition last week urged Colombia and the United States to reject any request by Venezuela to extradite Borges, with the opposition-controlled National Assembly saying the arrest warrant against him was "political in nature and should not be recognized by any foreign court," AFP reported. The National Assembly also demanded the "immediate release of lawmaker Juan Requesens and denounced his "forced disappearance." Maduro has also blamed Requesens in connection with the drone incident, and Venezuelan intelligence officers seized him last week. Venezuela's Justice First party said last week in a posting on Twitter that intelligence agents without search warrants raided the homes of Borges and Requesens last Thursday night. The opposition's Henrique Capriles, a former

presidential candidate, voiced concerns that authorities might plant evidence in order to incriminate Borges and Requesens. Last week, Venezuela's powerful Constituent Assembly, which Maduro's government created last year and filled with loyalists, said it was stripping Borges and Requesens of their parliamentary immunity from prosecution. In a televised address on Saturday, Maduro said he would accept help from the U.S. FBI to investigate the drone incident, BBC News reported. Maduro said he believed that people involved were in Colombia, Peru and the United States. The United States has indicated that it will cooperate in investigations related to the matter, but it has not said publicly that the FBI would get involved.

ECONOMIC NEWS

NAFTA Renegotiation Talks Drag on Amid New Sticking Points

Talks between Mexican and U.S. representatives on modernizing the North American Free Trade Agreement, or NAFTA, continue, as new conflicts emerged over U.S. President Donald Trump's threats to impose tariffs on Mexican automotive parts, according to industry offi-



Autoworkers and farmers must be taken care of or there will be no deal."

— Donald Trump

cials, Reuters reported Friday. U.S. negotiators had initially agreed to exempt existing Mexican auto plants from the United States' 25 percent tariffs, but do not want to guarantee exemptions for new Mexican auto plants, the officials said. On Friday, Mexican and U.S. negotiators met in Washington to discuss sticking points in relation to the auto industry, as their self-im-

NEWS BRIEFS

U.N. General Assembly OKs Bachelet as Human Rights Commissioner

The U.N. General Assembly on Friday unanimously approved former Chilean president Michelle Bachelet as the new U.N. High Commissioner for Human Rights, effective Sept. 1. In several speeches after the vote, U.S. representative Stefanie Amadeo criticized the U.N. human rights system, singling out lack of action in Venezuela and Cuba, the Associated Press reported. Representatives for Iran, Cuba and Venezuela called on Bachelet to speak out for all victims, citing the United States and the recent separation of migrant children from their parents at the U.S.-Mexico border.

Thirty Injured in Blast at Usiminas Plant in Brazil

A piece of equipment in Brazilian steelmaker Usiminas' factory exploded on Friday, injuring 30 people, Reuters reported. There were no fatalities, the company said. The blast was heard throughout the city of Ipatinga in Minas Gerais State, where around 250,000 people live. Shares in Usiminas dropped as much as 9 percent after initial reports of the explosion, but later recuperated slightly, the wire service reported.

Guatemalan Prosecutors, CICIG Attempting to Strip Morales' Immunity

Guatemala's attorney general and the U.N.-backed International Commission Against Impunity in Guatemala, or CICIG, are seeking to lift President Jimmy Morales' immunity in order to investigate him for alleged illicit campaign financing. It is the third time that the attorney general's office and CICIG have sought to strip Morales of his immunity, which requires congressional approval. Morales has denied wrongdoing and previously attempted to expel CICIG's commissioner, Iván Velásquez.

posed late August deadline for an agreement approaches. “A deal with Mexico is coming along nicely. Autoworkers and farmers must be taken care of or there will be no deal,” Trump tweeted late on Friday, adding that Mexican President-elect Andrés Manuel López Obrador “has been an absolute gentleman.” He also tweeted that Canada’s “Tariffs and Trade Barriers are far too high,” and threatened to tax their cars, *The Wall Street Journal* reported. Canadian representatives have been absent from the most recent talks, as the United States and Mexico iron out bilateral issues. Mexican Economy Minister Ildefonso Guajardo told reporters Friday that talks with U.S. Trade Representative Robert Lighthizer would continue this week, adding that many bilateral issues still need to be resolved before Canada can rejoin the negotiation.

BUSINESS NEWS

Venezuela’s PDVSA Appeals Ruling in Crystallex Case

PDVSA on Friday appealed a U.S. court ruling that would allow Canadian mining company Crystallex to seize the Venezuelan state oil company’s U.S.-based refiner, Citgo Petroleum, *El Universal* reported. U.S. Federal Judge Leonard P. Stark ruled last Thursday that Crystallex could take control of shares in PDV Holdings, Citgo’s owner, to collect on a \$1.4 billion award in order to compensate it for a 2008 nationalization by the government of then-Venezuelan President Hugo Chávez. “We are confident that Judge Stark’s careful and well thought out opinion is correct and will withstand all scrutiny,” Robert Weigel, a lawyer for Crystallex, told Reuters in a telephone interview. PDVSA’s bonds due in 2020 fell 5 percent on Friday to 85.5 cents on the dollar, *The Wall Street Journal* reported. Some investors believe that if Venezuela ultimately loses the Crystallex case, then it will have no incentive to remain current on the bonds, for which Citgo shares serve as collateral.

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claimed authorship of the notebooks, but did not produce the originals; Centeno later said that perhaps he burned them. Judge Claudio Bonadio’s decision to issue arrest orders without determining the authenticity and age of the notebooks and the subsequent failure to find the notebooks have cast a shadow over these allegations. While these arrests invigorate President Mauricio Macri’s core supporters, the first opinion polls conducted in early August show a further deterioration of his nationwide approval ratings and no deterioration in Fernández’s approval ratings. With or without this scandal, Cristina Fernández de Kirchner is apt to make a decision about a presidential candidacy in 2019 based on her perceived chances of victory and that of other potential candidates from her Citizen’s Unity party. Some triumphantly claim that these arrests mark a new era of governing transparency. However, irregularities in the assignment of jurisdiction, irregularities in the investigation and the convenient timing between these arrests and the mid-July 2018 judicial investigation of a campaign finance scandal for Macri’s coalition will likely limit these arrests’ ability to stimulate greater business confidence in the rule of law. The central influences on investment and other business decisions remain assessments of economic fundamentals.”

A Benjamin Gedan, senior advisor to the Latin America Program and director of the Argentina Project at the Woodrow Wilson

Center: “The notebooks megascandal is a welcome development that should prompt an effort to address systemic corruption in both government and the private sector. The scale of the alleged wrongdoing, colorful and detailed evidence, and high-profile suspects will make it difficult for elites to obstruct the investigation. An anticorruption campaign in Argentina has been a long time coming. In Guatemala, U.N. investigators have pursued public corruption for a decade.

In Brazil, prosecutors and judges have spent four years haunting crooked politicians and businessmen in the ‘Car Wash’ inquiry. Until recently, however, the region’s anti-corruption movement had passed over Argentina. Though Brazilian construction giant Odebrecht acknowledged paying \$35 million in bribes in Argentina, the case inspired little reaction by Argentina’s troubled criminal justice system. Despite widespread suspicion of misconduct by former President Cristina Fernández de Kirchner’s administration—her vice president is behind bars, and a former senior public works official was caught tossing bags of cash over a monastery wall—Fernández de Kirchner remains the most popular opposition figure. In October, she won a Senate seat, and with it, parliamentary immunity. The public outrage over the revelations in these notebooks is finally challenging the assumption that corruption is as Argentine as dulce de leche. The issue will not outweigh concerns about inflation and poverty. The investigation, moreover, will inevitably generate worries about political instability and skittish investors. But should Argentina seize this opportunity, the notebooks could end up displayed in a Buenos Aires museum as a reminder of a bygone era.”

A Carlos Fara, president of Carlos Fara & Asociados in Buenos

Aires: “In political terms, the government will catch a break and will also gain time because the scandal is delaying the country’s perennial socio-economic debate. The government also gains legitimacy because the president’s own cousin, Ángel Calcatera, showed up in court. Therefore, this is positive for the government. In this context, a ‘peronismo’ reunification will be harder because the party’s leaders would not want any association whatsoever with ‘kirchnerismo’ in light of the recent scandal. There is a good chance that Cristina Fernández de Kirchner will run as a presidential candidate in next year’s

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election. I don't think this situation will have a negative effect on her core supporters or her presidential aspirations. From now on, businessmen will be much more careful

“From now on, businessmen will be much more careful to not find themselves engaged in acts of corruption.”

— Carlos Fara

to not find themselves engaged in acts of corruption. This could be a turning point for them. On the subject of investments, this episode could be beneficial in the long term, as it gives the impression that an independent judiciary exists, regardless of the government in power.”

A Carolina Obarrio, executive director of Latin America legal affairs at Veritas Assurance Partners and secretary general of the Inter-American Bar Association:

“What happened is a clear opportunity for Argentina to trace the function, rights and obligations established by the constitution. Argentina has a short history of democratic law—the executive, legislative and judicial branches will now have to enhance their constitutional duties as officials. The investigation involving businessmen and public officials will push the government to revise the contracting system between the state and the private sector that's currently in place, as well as public works legislation. It should also consider whether the misused public funds will be recuperated in order to meet the objectives the money originally was

meant to finance. The government has the responsibility to protect the state's public goods. Regarding Fernández, there is no explicit disqualification for her candidacy in 2019. Since Fernández is currently serving as a senator, she would have to be voted out by other members of the Argentine Congress before being tried. In terms of business and investment, it is well understood that the scandal involves individuals' behavior—Argentina as a whole is above that. As I mentioned above, Argentina's democracy is young, and we are still working on building it. It's important to note that since March, there has been a law that establishes criminal responsibility of private legal persons for corruption offenses, as well as the sets of rules and processes that businessmen, managers, directors and employees have to follow to prevent corruption, thereby

“Argentina's democracy is young, and we are still working on building it.”

— Carolina Obarrio

implementing norms and integrity programs. Under the law, bidders of public contracts with the state that exceed 100 million pesos must prove that they have adopted codes of conduct and specific controls to minimize the risks of corruption.”

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