

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Dirk Donath

Senior Partner,
Catterton Aimara

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Carl Meacham

Associate VP for Latin America
Int'l Advocacy Division, PhRMA

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head of Sovereigns Ratings,
Latin America, Fitch

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

Is El Salvador Doing Enough to Fight Corruption?



Former Salvadoran President Antonio Saca (center) appeared in May at a court hearing along with six other co-defendants on corruption charges. // Photo: Salvadoran Government.

Q Former Salvadoran President Antonio Saca pleaded guilty in July to the embezzlement and laundering of more than \$300 million during his administration in an attempt to reduce his prison sentence to 10 years instead of 30, his lawyer said this month. Saca, who led El Salvador from 2004 to 2009, and six other high-level officials are on trial. Has corruption improved or worsened in El Salvador since Saca left office? What has the country done to reduce it? How can external actors, including countries such as the United States and international agencies that support the country with aid, play a stronger role in fighting corruption in El Salvador?

A Mari Carmen Aponte, former U.S. ambassador to El Salvador and former acting assistant secretary of state for Western Hemisphere affairs: "Corruption in El Salvador has been a long-standing problem even before former President Saca departed office in 2009. During former President Mauricio Funes' term from 2009 to 2014, the magnitude of his alleged illicit enrichment was an open secret. At the same time, however, there have been important milestones that give rise to optimism. Starting with the Supreme Court's strengthening of its Probity Section in 2015, followed by the election of Attorney General Douglas Meléndez in 2016, there have been groundbreaking prosecutions and convictions of previous high-ranking government officials, including former Presidents Funes (in absentia), and Saca. For the first time in the history of the country, Salvadorans have witnessed past officials face well-grounded corruption charges. Powerful figures are now subject to the justice system. Certainly, this is a dissuasive mechanism.

Continued on page 3

TODAY'S NEWS

POLITICAL

Peru, Ecuador to Require Venezuelans to Show Passports

The governments of Peru and Ecuador will require Venezuelan migrants to show their passports in order to enter their countries. They are currently being allowed to enter with just their national identity cards.

Page 2

BUSINESS

Uber to Invest \$64 Mn in Brazil Research Center

Experts at the center would work on tech solutions to satisfy challenges related to cash payments, said an Uber executive.

Page 3

ECONOMIC

Lighthizer Hoping for 'Breakthrough' on NAFTA Talks

U.S. Trade Representative Robert Lighthizer said he was hoping that the coming days would bring a "breakthrough" in the renegotiations of the North American Free Trade Agreement.

Page 2



Lighthizer // File Photo: White House.

POLITICAL NEWS

Peru, Ecuador to Require Venezuelans to Show Passports

The governments of Peru and Ecuador will soon require Venezuelans to show their passports, rather than just their national identity cards, in order to enter their countries, Reuters reported Thursday. The decisions come as an influx of migrants fleeing a devastated economy and political unrest in Venezuela

“As of this Saturday, the government will require that anyone entering Ecuador present his or her passport.”

— Mauro Toscanini

have poured into other countries in the region. The United Nations said earlier this week that some 2.3 million Venezuelans have left their home country. Unnamed Peruvian officials told Reuters that the new restriction aims to stem the surge in immigration from Venezuela, where it is difficult for many migrants to obtain passports due to chronic shortages. On Thursday, Ecuador's interior minister said passports would be required of Venezuelans seeking to enter the country. “As of this Saturday, the government will require that anyone entering Ecuador present his or her passport,” said Interior Minister Mauro Toscanini. Toscanini also urged Venezuela “to make all political, and above all, social, efforts so that your citizens do not have to go through the very difficult situation of leaving your country and seeking a better destination away from their loved ones,” *El Comercio* reported. Earlier this month, Ecuador's government declared a state of emergency in three provinces following a flood of migrants who crossed into Ecuador from Colombia, Reuters reported. Some 4,500

Venezuelans were crossing daily into Ecuador, as compared to some 500 to 1,000 previously.

Temer Backs Other Party's Presidential Candidate in Brazil

Brazilian President Michel Temer in an interview published Thursday backed another party's presidential candidate as well as his own. Temer, of the Brazilian Democratic Movement party, told *Folha de S.Paulo* that former São Paulo State Governor Geraldo Alckmin of the Social Democracy Party would carry on with his work. Temer's party has nominated former Finance Minister Henrique Meirelles, who the Associated Press reported has appeared to try to distance himself from Temer. An endorsement from Temer might be of little use to any of the current presidential candidates, as a June poll by *Datafolha* showed that 82 percent of Brazilians think Temer is doing a poor job.

ECONOMIC NEWS

Lighthizer Hoping for 'Breakthrough' Soon in NAFTA Talks

U.S. Trade Representative Robert Lighthizer said Thursday he was hoping for a “breakthrough” in the North American Free Trade Agreement, or NAFTA, renegotiation in the next several days, in response to a question by U.S. President Donald Trump during a cabinet meeting, Reuters reported. One year after the NAFTA modernization talks began, Trump said he was in “no rush” to reach an agreement with Mexico and Canada, although negotiators from all parties had set a deadline to have a preliminary deal by the end of August. “We have much better alternatives than [NAFTA]. So if you can't make the right deal, don't make it,” Trump told Lighthizer, Reuters reported. The U.S. trade representative has met with his Mexican counterpart, Economy Minister Ildefonso

NEWS BRIEFS

Bomb Threats Force Emergency Changes to Nine Flights in Region

A series of bomb threats were made Thursday to Chile's civil aviation authority, prompting emergency landings and other changes to the routes of nine planes in Chile, Argentina and Peru, Reuters reported. Víctor Villalobos Collao, the director general of the aviation authority, said 11 threats were made on Thursday. LATAM Airlines operated at least two of the planes, and low-cost Chilean airline Sky operated three others, the companies confirmed. All of the planes were declared to be free of explosives.

Hundreds of Doctors, Nurses Protest in Caracas

Heavily armed riot police on Thursday blocked some 400 doctors and nurses from marching to the Miraflores presidential palace in Venezuela, the Associated Press reported. Demonstrators were protesting low wages and a lack of medical supplies and demanding action by President Nicolás Maduro as the crisis-stricken country grapples with an economic recession and shortages of medicine, food and other basic items. The protest ended without violence, the AP reported.

Brazilian Utility Light Considers Share Offering

Brazilian utility Light is considering a share offering to raise funds, according to a securities filing, Reuters reported Thursday. The electricity distributor also said it had a preliminary agreement with Brazilian private equity firm GP Investments to buy part of Light's shares, but did not provide details. Last month, Maurício Fernandes, chief executive of *Companhia Energética de Minas Gerais*, which holds a controlling stake in Light, told Reuters the company was looking at a strategic partnership to divest its shares in the utility.

Guajardo, several times in the last four weeks, as they tried to iron out bilateral issues, including automotive tariffs, before resuming talks with Canada. Jesús Seade, a representative of Mexican President-elect Andrés Manuel López Obrador, has also attended the meetings. Guajardo told El Universal on Wednesday that he hoped Canada would rejoin the negotiation “soon.” On Thursday, he told reporters that “everybody has got to show flexibility” before a deal can be reached, Reuters reported.

BUSINESS NEWS

Uber to Invest \$64 Million in Brazil Research Center

Ride-sharing company Uber will invest some \$64 million in Brazil over the next five years to build its first technology research center in Latin America, an executive told Valor Econômico on Friday. Uber’s safety product director, Sachin Kansal, said the new office would be located in São Paulo, the company’s busiest city in the world in terms of number of rides, and would consist of 150 technology experts with the aim of developing tech solutions to safety challenges related to cash payments, a method that is particularly common in Latin America. Brazil is Uber’s second-largest national market after the United States, with one billion rides in the past four years, but customers’ tendency to pay cash has brought safety concerns for drivers, who have become targets for attacks by riders, Reuters reported. “Cash is extremely important for us to support,” Kansal said in the interview. He added, “There is a certain segment of society which does not have access to credit cards and that is also the segment of society that is probably in the most need of convenient, reliable transportation.” Security policies Uber has in place for Brazilian drivers and riders include identifying clients through a social security number equivalent, a “safety button” that directly calls police in case of emergency and pre-ride technology that blocks trips considered risky.

FEATURED Q&A / Continued from page 1

Notice has been served on those with presidential aspirations: you can no longer act with impunity. The criminal *modus operandi* has been revealed, and civil society is watchful. So are other international players. Third party actors, including the United States, working with the Salvadoran government have implemented several effective efforts to strengthen accountability, transparency and rule of law. From training prosecutors to sanctioning high profile individuals, several of these tools have been used successfully. This is the juncture to intensify the support for the growing anti-corruption community inside and outside the Salvadoran government. The energy is decidedly on the side of those fighting this scourge. This is the moment to stand with them.”

A **Michael Camilleri, director of the Peter D. Bell Rule of Law Program at the Inter-American Dialogue:** “The public record suggests that corruption in El Salvador is endemic rather than episodic, and certainly not limited to one political party or the administration of former President Antonio Saca. President Saca’s predecessor Francisco Flores died while being prosecuted for financial irregularities, and his successor Mauricio Funes fled to Nicaragua in the face of accusations that he and his network embezzled \$351 million. The Funes scheme was hardly ingenious—his men would simply go to a state bank, fill trash bags with cash and deliver them to the presidential palace—while Saca’s was more sophisticated. The encouraging news for El Salvador is that these scandals are coming to light, and some of those responsible are being held to account. This owes much to the work of the attorney general’s office and investigative journalists. For donor countries such as the United States, the scale of these corruption schemes should provoke serious reflection. The amount of money allegedly stolen during the Funes administration significantly exceeds the roughly \$240 million in U.S.

foreign assistance provided to El Salvador during the same period. While the U.S. government was making laudable investments in security, prosperity and governance in El Salvador, the country’s own leaders were undermining these objectives to an equivalent or greater degree by robbing from the public treasury. The lesson is that donors must be more deliberate and decisive about exposing and cutting off corrupt actors, supporting government change agents and non-governmental watchdogs, and leveraging their influence to press for the replication of successful hybrid mechanisms such as CICIG in Guatemala. A step in the right direction is the recently enacted provision requiring the State Department to provide Congress with a list of individuals who have committed serious acts of corruption, drug trafficking and illicit campaign finance in El Salvador, Guatemala and Honduras.”

A **Ricardo A. Cevallos, partner at BLP Abogados in El Salvador:** “Corruption has always been present in El Salvador, but since the signing of the peace agreements it has afflicted certain institutions more than others. Checks have been lacking in all public offices, while increasingly complex regulations, a lack of transparency and an incipient rule of law make it almost impossible to navigate the country’s legal framework. Governments of all parties have done nothing at any level to avoid corruption. External actors such as multilateral lenders, NGOs and development agencies must ‘follow the money’ and make sure that it reaches all the intended beneficiaries. Clauses should be inserted into binding documentation that government officials are accountable personally for any wrongdoing with the use of funds granted by a foreign entity or nation. Foreign nations and multilateral organizations should push for new legislation that clarifies simple issues such as immunity from lawsuits. As interpreted today by many politicians, they have full immunity from any type of lawsuit;

Continued on page 4

FEATURED Q&A / Continued from page 3

but it should be made clear that they only have immunity from political prosecution, not for common crimes including acts of corruption. Crimes such as embezzlement of public funds should not have a statute of limitations. Local politicians do not wish to improve the fight against corruption, so there is an urgent need for international pressure for them to move in the right direction. I am sure most Salvadorans would welcome such pressure.”

A **Christine J. Wade, professor of political science and international studies at Washington College in Chestertown, Md.:** “El Salvador is rife with corruption. Public officials at all levels of office have engaged in various forms of corruption with little fear of legal consequences. Since his appointment in January 2016, attorney general Douglas Meléndez has been credited with taking on corruption cases against high-ranking public officials, including former Presidents Saca and Funes. While many analysts, myself included, have praised those efforts, the plea deal with Saca undermines these efforts. Not only will the state recuperate a pittance of the stolen funds, but many of the beneficiaries of Saca’s corruption will remain unknown in the absence of a trial. Moreover, many of those protected by this plea deal are members of the largest party in the legislature (ARENA) which will vote on Meléndez’s reappointment later this year. Unsurprisingly, this has led some to question the integrity of the attorney general’s office. Corruption and impunity have become deeply ingrained in Salvadoran politics. It’s difficult to know how successful external actors can be in the fight against corruption. El Salvador has already rejected the idea of a CICIG-type anti-corruption model. International efforts should focus on promoting reforms to strengthen judicial independence. As seen with both the Saca case and the recent selection of Supreme Court judges, this is critical. The prosecutor’s office is also underfunded, understaffed and undertrained,

all of which makes the office more vulnerable to corruption. Additional anti-corruption efforts should focus on police corruption, improving transparency in governance (including political parties), depoliticizing the electoral tribunal and campaign finance reform.”

A **Leonor Arteaga, senior program officer at the Due Process of Law Foundation:** “Corruption in El Salvador is endemic, like in Guatemala and Honduras. However, it seems to have less relevance in comparison to the two neighboring states. This is partly due to a less enthusiastic civil society and the attention generated there by international bodies such as CICIG and MACCIH. Nevertheless, in recent years the fight against this flagellum in El Salvador has shown a shift since the current attorney general began high-profile investigations that include his antecessor, Luis Martínez, and three former presidents, Antonio Saca, Mauricio Funes and Francisco Flores. When Saca, arrested in 2016, admitted to being behind one of the most notorious thefts in the country’s history, he knew he would be rewarded. He made a deal with the attorney general’s office to confess in exchange for a significantly reduced sentence. This arrangement does not seem to be a proportionate outcome for a crime of that magnitude, and the information provided in the confession is not effectively contributing to further the investigations. Although it exposes the government’s rotten core, it also reveals the flaws in the criminal system when prosecuting powerful figures. A long, hard road lies ahead. International actors must provide continuous technical and political support to the justice system in order to conduct serious investigations of grand corruption crimes—especially to dismantle influential networks—and to favor the engagement of society actors. When successful, emblematic prosecutions can break impunity and recover public trust; at least that is the hope these cases provide.”

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter
achacon@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Peter D. Bell Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Alejandro Ganimian, Nonresident Fellow

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, China and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development and External Relations

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 freetrials@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.