

## 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.

### W. Bowman Cutter

Former Partner,  
E.M. Warburg Pincus

### Dirk Donath

Senior Partner,  
Catterton Aimara

### Barry Featherman

Senior Director,  
International Government Affairs,  
Gilead Sciences

### 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, ManattJones  
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

### Carlos Paz-Soldan

Partner,  
DTB Associates, LLP

### Beatrice Rangel

Director,  
AMLA Consulting LLC

### Gustavo Roosen

Chairman of the Board,  
Envases Venezolanos

### Andrés Rozental

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

### Shelly Shetty

Head, Latin America  
Sovereign Ratings, Fitch Inc.

### Roberto Sifon-Arevalo

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

## FEATURED Q&A

# What Will It Take to Win the Battle Against Corruption?



Among the Latin American officials tarnished by corruption allegations in recent years is Otto Pérez Molina, who resigned as Guatemala's president amid a bribery scandal in 2015. // File Photo: CICIG.

**Q** Recent years have brought unprecedented levels of attention to corruption in Latin America and the Caribbean, with heads of state in countries large and small removed from office amid allegations of bribery, self enrichment and mismanagement of public funds. However, advocates for increasing transparency and fighting corruption worry that superficial changes and isolated high-level prosecutions do not get to the deep and structural safeguards needed to tackle the problem in 2017 and beyond. Is the popular and political will to address graft and corruption waning? What concrete steps should be taken to increase transparency and advance integrity in societies across the region? What successful innovations are emerging that point to a brighter outlook for the battle against corruption?

**A** Laura Gaviria Halaby, global head of Citi Fintech Acceleration: "The search for a new paradigm of integrity is top-of-mind for Latin America's political and economic leaders. Information and communications technology (ICT) may not provide a magic bullet, but it is arguably the most powerful tool in the integrity tool kit. Over the last decade, governments across the region have launched an increasing number of e-government initiatives to enhance the efficiency and transparency of public administration and to improve interaction with citizens. Yet, technological innovation to tackle corruption remains in its infancy. A new initiative, led by Citi in collaboration with its public and private sector allies, seeks to accelerate technological innovation and provide public sector entities with access to tech innovators and their cutting-edge ideas and solutions to increase

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## U.S. Secretary of State to Visit Mexico

U.S. Secretary of State Rex Tillerson will visit Mexico City, the White House announced. The announcement followed a meeting between Tillerson and Mexican Foreign Minister Luis Videgaray in Washington.

Page 2

### BUSINESS

## Workers at Chile's Escondida Mine Begin Strike

The strike at the world's largest copper mine began after the main union and BHP Billiton failed to reach a deal on benefits.

Page 2

### POLITICAL

## At Least 95 Killed Since Beginning of Espírito Santo Police Strike

Police walked off the job Friday night, leading to chaos in the Brazilian state. President Michel Temer sent troops there Monday, but looting, robberies and other crimes continued.

Page 2



Temer // File Photo: Brazilian Government.

## POLITICAL NEWS

## At Least 95 Killed Since Start of Espírito Santo Police Strike

At least 95 people have been killed in Brazil's Espírito Santo state since police went on strike there Friday night, leading to looting as well as shootings and robberies in broad daylight, The Wall Street Journal reported. Merchants say at least 250 stores have been ransacked, and in the state's normally quiet capital of Vitória, banks, schools and some health clinics



**People aren't leaving their homes, and everything is closed."**

— José Lino Sepulri

remained closed on Wednesday as the strike continued for a fifth day. Public transportation was virtually shut down in the state capital as bus drivers refused to work, citing concerns about their safety. "I've been in retail for 55 years and I've never seen a situation like this," José Lino Sepulri, president of the state commerce federation, told The Wall Street Journal. "People aren't leaving their homes, and everything is closed." On Monday, Brazilian President Michel Temer ordered 1,000 soldiers and 200 National Guard troops to the state in an effort to restore order. The number of troops that Temer deployed, however, is just a fraction of the 10,000 police officers that are normally on duty in the state, and the deployment appears to have done little to tamp down the unrest. State police officers walked off the job, saying their salaries are low and have not been raised to keep pace with inflation in seven years. Law enforcement groups in the state say budget cuts have resulted in police cars with bald tires and police stations without Internet service or cleaning supplies. "When a police officer's salary is the lowest in the country, it's the families who suffer," Noe da Matta Ribeiro,

the vice president of Espírito Santo state's police association. "We're the line that separates civilization from barbarity."

## U.S. Secretary of State to Visit Mexico

U.S. Secretary of State Rex Tillerson met Wednesday with Mexican Foreign Minister Luis Videgaray during his visit to Washington, and the White House announced Tillerson will visit Mexico City, NBC News reported. The meeting came a week after Tillerson, a former CEO of oil giant ExxonMobil, was confirmed by the Senate and sworn in to the position. "They had a constructive conversation on a range of U.S.-Mexico collaboration including law enforcement, migration, and security," acting State Department spokesman Mark Toner said. The meeting followed a recent rise in tensions between the neighboring countries, after U.S. President Donald Trump signed an executive order to proceed with his campaign promise to build a massive wall along the U.S. border with Mexico, and reiterating his vow that he would



Tillerson // File Photo: U.S. Government.

force Mexico to pay for it. Ahead of Mexican President Enrique Peña Nieto's planned visit to the United States last month, Trump tweeted on Jan. 26 that if Mexico was unwilling to pay for the wall, then it might be "better to cancel the upcoming meeting." Peña Nieto announced later in a tweet that he had decided to call off the meeting. The two leaders had a phone call a week later, during which Trump offered to send U.S. troops to Mexico to help address the issue of the country's drug cartels, he told Fox News in an interview. Trump added during the interview that aired Feb. 6 that he and Peña Nieto have "a very good relationship."

## NEWS BRIEFS

## Guatemalan Supreme Court Justice Arrested

Guatemalan Supreme Court Judge Blanca Stalling was arrested on Wednesday and faces accusations of influence peddling, prosecutors said, in the latest push to root out corruption in the Central American country, Reuters reported. Stalling was arrested hours after authorities raided her home. Guatemala's Congress withdrew Stalling's immunity after a lower-ranking judge accused her of attempting to pressure him into giving her son preferential treatment in a fraud case.

## Santos Calls for Probe of Claim That Odebrecht Contributed to Campaign

Colombian President Juan Manuel Santos on Wednesday called for an investigation of claims that Brazilian construction firm Odebrecht, which is embroiled in a multi-country bribery scandal, contributed to his 2014 campaign, Reuters reported. Colombia's attorney general said a portion of \$4.6 million that the company paid to a former Colombian senator accused of corruption may have been funneled to Santos' campaign. However, the attorney general admitted Wednesday that there is no evidence to back up the allegation by the former Liberal Party senator, Otto Bula Bula.

## Workers at Chile's Escondida Copper Mine Begin Strike

Workers at BHP Billiton's Escondida Mine in Chile went on strike Thursday after the mine's main workers' union and the company failed to reach an agreement through negotiations on a benefits package, The Wall Street Journal reported. The copper mine, which is the world's largest, produced 6 percent of the world's copper 2015. Escondida has said it will halt production during the strike. BHP has a 58 percent stake in the mine.

## FEATURED Q&amp;A / Continued from page 1

transparency and efficiency. To start, Citi is crowd-sourcing descriptive 'pain points' that guide tech innovators toward targeted areas where integrity issues are of greatest concern. The goal: bring financially responsible digital solutions to the public sector that will support more stable economies. The digital world of the future will increasingly be networked, open and collaborative. Open Application Programming Interface tools that enable software systems to communicate will increasingly become the norm, with the opportunity to take an app-store approach to technology solutions that solve government problems. This connected world, when bolted to the 'Internet of Things' through a trillion sensors, will take transparency to new levels. These connected technologies will change the development landscape, as they have the potential to extract the manual processes, paper documentation and cash from development flows. When the last mile is made digital and transparent, and information and money can flow freely both ways, the spotlight on the entire digital chain will be bright and the myriad of corruption flash points will become muted."

**A** **José Antonio Muñoz, founding partner at Muñoz Global in San José, Costa Rica:** "The general perception seems to be that nothing has changed with respect to corruption in recent years. However, there has been a voluntary acceptance of standards and due process by the business community in Central America. It formally renewed its commitment to respect the law and procedures, and now aspires to comply with international standards. It is our belief that this attitude will permeate into the public administration, which with time will align itself with the standards of the business community. Moreover, civil society has appreciated that public marches and protests can have a significant impact on the government. The ongoing initiatives to promote better-informed campaigns based on more

specific knowledge of the rule of law and how it should function will keep momentum going within society. A number of welcome initiatives have emerged in the region in recent years. The Costa Rican government subscribed to the Open Government Partnership in 2012 and recently developed an app helping to denounce illicit trade. Honduras and Guatemala became members of CostT, an initiative facilitating transparency and accountability in the construction of public infrastructure. Such transparency-promoting initiatives have a strong potential to reduce corruption. Nevertheless, there are further means of addressing the issue. Introducing a conditionality of loans on enforcement of FCPA standards and introducing similar standards in placements of corporate securities on stock exchanges is one of them. Another proposition involves a deployment of border and customs technology, which would serve both security and anti-corruption purposes."

**A** **Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City:** "In the case of Mexico, significant progress has been made with the new National Anticorruption System. This set of laws and agencies was created at the request of more than 630,000 citizens. The budget allocated to it, as well as the technical resources and its powers, make it an advanced model in the region. In addition, Mexico has joined open contracting. Under this method, all stages of government procurement and detailed information about them are posted on the Internet. Under these standards, recommended by the OECD, the work of the new Mexico City airport is being carried out. It is noteworthy that this technology is playing a crucial role as a tool to combat corruption. Intelligence systems are already in place to detect unusual transactions. In a few years, governments will have large interconnected intelligence systems that will detect abnormal transac-

Continued on page 4

## ECONOMIC NEWS

## Brazil Accuses Canada of Violating Trade Rules

Brazil's government on Wednesday accused Canada of failing to adhere to its trade obligations by providing a loan of 372.5 million Canadian dollars (\$283 million) to aircraft maker Bombardier, The Wall Street Journal reported. The aid to Bombardier, a rival of Brazil-based Embraer, may distort competition in the aerospace sector, said Brazil's government, which filed a request for consultation with the World Trade Organization. Canada's trade minister defended the loan to Bombardier, saying it was within WTO rules.

## BUSINESS NEWS

## Acciona, Tuto Energy Sign Deal to Build Mexican Solar Plant

Spanish renewable energy company Acciona Energy, and Tuto Energy, a subsidiary of Mexican industrial group BioFields, have signed a power-purchase agreement to build what will be Mexico's largest solar plant by adding an additional 112 megawatt peak to the existing 227 MWp Puerto Libertad solar plant, PV Tech reported Wednesday. The Puerto Libertad plant will increase in capacity by 50 percent through the joint venture's plan and will produce enough energy to power 489,000 homes annually, once the project is completed. The project is expected to be completed in the next two years, with the 339 MW plant operating by 2019. Construction on the addition to the project, which is located in Sonora State, will begin in the third trimester of this year. Acciona will assume project responsibilities from the Federal Electricity Commission, which began the first phase after being awarded the project in Mexico's second power auction in September.

## FEATURED Q&amp;A / Continued from page 3

tions, tax evasion and all kinds of corruption. Of course, all this must be backed up by a clear rule of law in which the law is enforced. Latin America needs a change in this direction. The culture of corruption is going to be eradicated as legality progresses, and impunity is not an option."

**A Ben Raderstorf, program associate in the Peter D. Bell Rule of Law Program at the Inter-American Dialogue:** "One of the biggest challenges with fighting corruption is that impunity is an inherently opaque phenomenon. Graft, fraud, abuse of power and bribery all aim to be invisible, making it difficult—if not impossible—to precisely target whether the landscape is improving, and if so, at what rate. This also means corruption has a certain lag time when it comes to public perception. Transparency and accountability measures (like those implemented in almost all Latin American countries since 1990) can take years to bear fruit, and when they do, the resulting scandals create false impressions that 'corruption is worse than ever.' As such, assessments on the current state of corruption should be taken with a dose of skepticism. That said, there is still evidence that progress is being made in most countries. Criminal cases continue to make headlines across the region as investigations and plea deals regularly unearth new misdeeds. If nothing else, this 'throwing the powerful in jail' has a welcome chilling effect on future corruption, making leaders more nervous about the legal and electoral costs of illicit activity. Still, prosecutions are only one side of the anti-corruption coin. The other component—preventative measures to deter future graft and bribery—is more difficult and more important. This is where Latin America (with a few exceptions, Chile above all), continues to lag behind. Governments across the hemisphere should design new, tech-intensive mechanisms to force transparency in personal and campaign

funds, oversee procurement and contracting procedures, and protect independent judiciaries and prosecutor's offices."

**A Maria Velez de Berliner, president of Latin Intelligence Corporation:** "The anti-corruption movement is the most effective tool for getting rid of business competitors or political opponents. Not that those who have survived are blameless. The anti-corruption forces will grow until the new groups are in government or in influential positions in private industry. Once there, there seems to be no reason why these new groups will not resort to the corrupt practices they deplored and condemned. It will be only a matter of time. Corruption, grand or petty, has been a cultural characteristic of the region since colonial officials institutionalized it. Driven by expediency, transparency is situational in Latin America: you scratch my back; I scratch yours; and we keep quiet, as long as we each get what we want or need. Every Latin American knows there are laws galore against corruption in every country. What is needed is the exception: judges who enforce the law, without fear of death or retribution; and, public and private officials who make abiding by the law the central tenet of their performance. Lasting anti-corruption efforts will take the courage of a prosecutor like Sergio Moro in Brazil; a Colombian Supreme Court that dares to increase the jail sentence of a powerful politician, Samuel Moreno; or the fearless steadfastness of the anti-corruption agency in Guatemala that keeps bringing corrupt officials before the law. Most importantly, it will take the long-lasting pressure of civilians who, truthfully, are fed up with corruption, not because it has kept them outside the trough, but because they believe that only non-corrupt societies can provide the opportunities for advancement and personal and communal security for which they long, and which corruption has for centuries denied them."

## LATIN AMERICA ADVISOR

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

**Erik Brand**

Publisher

[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor

[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Nicole Wasson**

Reporter, Assistant Editor

[nwasson@thedialogue.org](mailto:nwasson@thedialogue.org)



**Michael Shifter**, President

**Genaro Arriagada**, Nonresident Senior Fellow

**Sergio Bitar**, Nonresident Senior Fellow

**Joan Caivano**, Director, Special Projects

**Kevin Casas-Zamora**, Nonresident Senior Fellow

**Ramón Espinasa**, 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

**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)

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.