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FEATURED Q&A

Will a New Panel Fight Corruption in El Salvador?



President Nayib Bukele is planning to create a new commission to fight corruption in El Salvador. // File Photo: Salvadoran Government.

Q By early September, Salvadoran President Nayib Bukele said he wants to establish an independent commission to investigate corruption. The panel would be known as the International Commission Against Impunity in El Salvador, or CICIES, and would be similar to the U.N.-backed CICIG in Guatemala. Does El Salvador need an independent anti-graft body, and how would it do its work? What sorts of challenges would CICIES have to tackle? How likely is it to be launched in less than a month? How well is Bukele addressing corruption and impunity in El Salvador, and what are the biggest differences between his approach and those of past administrations?

A Mari Carmen Aponte, former U.S. ambassador to El Salvador and former acting assistant secretary of state for Western Hemisphere affairs: "Unquestionably, there is a national consensus in El Salvador about the need to combat corruption and impunity. President Bukele's election, overwhelmingly rejecting traditional political parties, came from desire for profound change and intense rejection of corruption and graft. One of Bukele's most resounding and important campaign promises was the establishment of a CICIES. Specific details of the inner CICIES structure, however, do not yet appear finalized. Conversations as to the structures with the United Nations and the OAS are ongoing. Similarly, key factors such as the commission's composition and financing are not completely cemented. What seems to be on track is the commission's role in providing support and technical assistance in local investigations, but not in originating inquiries. The commission would

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TODAY'S NEWS

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U.S. Homeland Security Chief Arrives in Panama

Acting U.S. Homeland Security Secretary Kevin McAleenan arrived in Panama, where he is expected to discuss migrant smuggling and drug trafficking with top officials.

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BUSINESS

Antofagasta Reports 44% Earnings Rise for First Half

The Chilean copper mining company said an increase in copper production and lower costs boosted its earnings.

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ECONOMIC

Brazil's Senate OKs Measure to Cut Bureaucracy

Brazil's Senate approved a deregulation package aimed at simplifying business in order to spur the country's economy. President Jair Bolsonaro's administration wrote the legislation, and the president is expected to sign it.

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Bolsonaro // File Photo: Brazilian Government.

ECONOMIC NEWS

Brazil's Senate Approves Measure to Reduce Bureaucracy

Brazil's Senate on Wednesday passed a deregulation package aimed at boosting the country's sluggish economy by simplifying business, *The Wall Street Journal* reported. Measures include launching a fast-track process to open new firms, waivers for some permit requirements and expanding the acceptance of digital documents, among others. "It is an attempt to level Brazil's regulatory environment with that of global economic powerhouses by reducing the state's interference in business," André

Brazil ranks 109th of 190 nations in the World Bank's Ease of Doing Business index.

Marques, a lawyer with the firm Guerra Batista, told *The Wall Street Journal*. "They will let money circulate more freely." Brazil is well known for its crippling bureaucracy, with the country ranking 109th out of 190 nations in the World Bank's Ease of Doing Business index, lower than 10 other Latin American countries, including Mexico, Chile and Colombia. Opponents of the deregulation package have expressed concern over its implications on labor rights and environmental protections. "This is very harmful," said opposition Senator Humberto Costa from the Workers' Party, *The Wall Street Journal* reported. "Reducing bureaucracy won't create jobs," he added. Others have criticized a regulatory change that allows businesses to operate without getting environmental permits. President Jair Bolsonaro is now expected to quickly sign the bill into law. Economic activity in Brazil fell slightly in the second quarter, suggesting the country may have slipped into recession, *Reuters* reported. [Editor's note: See related [Q&A](#) in the July 24 issue of the Advisor.]

POLITICAL NEWS

Acting U.S. Homeland Security Secretary Arrives in Panama

Acting U.S. Homeland Security Secretary Kevin McAleenan arrived Wednesday in Panama, where he plans to discuss migrant smuggling and drug trafficking with officials in the Central American country, the *Associated Press* reported. McAleenan said he is not seeking any specific agreement during his trip. On Wednesday morning, *The Washington Post* reported that the Trump administration wants to designate Panama a "safe third country," which would allow it to send asylum seekers there if they passed through the country on their way to the United States. There is a growing number of migrants from locations including Africa and Asia who arrive in South America and make their way through Panama en route to the United States, the newspaper reported. Last month, McAleenan reached a deal with the Guatemalan government that would allow the United States to send asylum seekers there if



McAleenan // File Photo: U.S. Dept. of Homeland Security.

they transited Guatemala first. Five days after signing the safe third country agreement with Guatemala, McAleenan traveled to Guatemala City, where he met with business leaders, reporters and other prominent Guatemalans and said the United States was negotiating with Panama, Brazil, Honduras and El Salvador. "You have to have partnerships between the source, transit and destination countries," McAleenan said, *The Washington Post* reported Aug. 1. On Wednesday morning before he departed for Panama, McAleenan said his

NEWS BRIEFS

Brazil Moving Financial Activities Control Board Under Central Bank Unit

Brazil's government has issued a decree to move the Financial Activities Control Board, or Coaf, into a new financial intelligence unit within the central bank, *MercoPress* reported Wednesday. The move gives the central bank president control over who heads the new unit, as well as which officials are appointed to it. The Financial Intelligence Unit is designed to produce and manage financial intelligence information "for the prevention and combat of money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction," according to the decree.

Argentina to Use Dollar Reserves to Bolster Peso: New Finance Minister

Argentina will use its dollar reserves to shore up declines in its currency, said new Finance Minister Hernán Lacunza, as debt ratings agency Fitch warned that the peso's recent depreciation "suggests a real risk of default," *BBC News* reported. The run on the peso also "raises the potential for a sharper deterioration in economic growth," Fitch added.

Fintechs Aiding Financial Inclusion, Not Displacing Large Banks: Moody's

Fintechs in Mexico will not displace larger banks, but they will foster financial inclusion, *Moody's* said in a note on Wednesday. While fintechs will focus on expanding services to the unbanked and underbanked, which are a sizable portion of the population in Mexico, they will not be displacing large Mexican banks any time soon, *Moody's* said, adding that smaller banks might lose customers to new entrants if they fail to adapt to digitization. [Editor's note: See related [Q&A](#) in last week's issue of the Financial Services Advisor.]

trip was part of a “broader agenda” and not to negotiate a specific deal. “We’re going to talk about our broad security relationship, and building on a strong foundation for partnership and information-sharing with Panama,” he told The Washington Post. McAleenan added he also wants to make Colombia and Costa Rica part of the discussion on handling migration flows, the Associated Press reported. [Editor’s note: See related [Q&A](#) in the Aug. 6 issue of the Advisor.]

BUSINESS NEWS

Chile’s Antofagasta Reports 44% Earnings Rise for First Half

Chilean copper miner Antofagasta today reported higher earnings in the first half of the year, as compared to the same period last year, boosted by an increase in copper production and lower costs. Earnings were up to \$1.3 billion, a 44 percent increase from the \$904.2 million registered a year earlier. “While the outlook for the copper market remains uncertain with the protracted negotiations between the USA and China impacting global trade, Antofagasta continues to be in a strong position generating solid cash flows and improving returns,” the miner said. For the year through June, Antofagasta produced 387,300 metric tons of copper, the company said, adding that it expects this year to see another “record production” with a target of between 750,000 and 790,000 metric tons of copper. The metal’s prices have slid 4 percent this year, reaching their lowest level in two years in August after U.S. President Donald Trump said he would expand tariffs on Chinese imports, the Financial Times reported. The U.S.-China trade war has been weighing on Chile’s economy, which expanded by 0.8 percent in the second quarter, as compared to the previous quarter, La Tercera reported, citing a central bank report. Trade tensions have particularly affected the country’s mining sector, which grew just 0.2 percent in the second quarter from a year ago.

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include aspects of prevention and reform, conducting educational campaigns, thus incorporating elements of transparency and accountability. Depending on details, this could be a useful tool, if effective. There is not a lot of time left before September. It is positive that a few high-ranking officials are working on this project with great commitment and dedication. Few actions in the first 100 days of the Bukele administration could be as crucial and send as strong and robust signal of change, nationally and internationally, as a credible CICIES commission. This would be an enormous and important contrast with past administrations. Accordingly, the body’s unveiling should be presented in all its details with multisector participation by civil society. If Salvadorans are to support this commission, it is important that they fully understand its scope and reach.”

A **Katya Salazar, executive director of the Due Process of Law Foundation:** “Much like its neighboring countries, El Salvador suffers from entrenched high-level corruption by elites, including three former presidents, and widespread organized criminal violence that remain covered and unpunished. The new president, Nayib Bukele, largely based his electoral success on his promise to tackle corrupt actors by establishing the International Commission Against Impunity, CICIES. Bukele’s aggressive launch date for CICIES next month seems unreasonable as bordering models such as CICIG and MACCIH were the products of years of social advocacy and difficult negotiations with international bodies (the United Nations and OAS). As previous experiences suggest caution and a realistic development process, Bukele’s intentions have been met with skepticism. Not only has his proposal not garnered enough attention from the international community or local civil society, but more concerning is that the scope and structure of such a commission, as well as its international sponsorship, remain uncertain. A clear challenge

will be working with the principal partner, the attorney general’s office, a proven necessary relationship for successful joint investigations. The current prosecutor, however, has not shown interest in dealing with complex crimes, and furthermore, influence-peddling networks permeate the office itself. To be a legitimate institution, CICIES must shed light on the structures and practices of illegal networks inside and outside the state that have survived and evolved since the wartime era. It is imperative to build ample and sustainable international and national support at every turn. Otherwise, there is the risk that this commission could become the government’s instrument to merely purge political enemies.”

A **Michael Camilleri, director of the Peter D. Bell Rule of Law program at the Inter-American Dialogue:** “The creation of CICIES was a central campaign promise of President Bukele. That promise was a testament to the success of CICIG in next door Guatemala. Citizens of El Salvador, like those of Honduras, wanted what they saw in Guatemala: an institution with the independence, capacity and authority to buttress the national justice system and hold corrupt networks to account. Bukele’s announcement that he is moving forward with CICIES is encouraging. While former Salvadoran Attorney General Douglas Meléndez brought high-profile corruption prosecutions against ex-presidents Antonio Saca and Mauricio Funes, there are continuing questions about the Salvadoran justice system’s commitment and capability to tackle the corruption that has at times penetrated the state at the highest levels. CICIES will face at least two early challenges. The first is one of institutional design. Bukele and his vice president, Félix Ulloa, have proposed to combine aspects of the United Nations’ CICIG in Guatemala and the Organization of American States’ MACCIH in Honduras. This is sensible in theory but could prove complex in practice, and it

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will be important that CICIES enjoy CICIG's broad investigative mandate rather than the more narrow one of MACCIH. The second challenge will be securing the requisite support of the legislature, where Bukele does not have a majority and where there may be resistance to the heightened accountability."

A **Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:** "President Nayib Bukele is on the right track. Except for Brazil, Chile, Costa Rica and Uruguay, all Latin American countries need an international institutional framework to effectively fight corruption. For too many centuries, economic progress has mainly been based on rent extraction in lieu of wealth creation. This creates a corporatist society where the few are part of the whole, while the many are extras in an economic motion film. Corporatism establishes strong economic and political links among the elites who play leading roles in the corruption script. Add to this the fact that, except for Brazil and Mexico, we are dealing with small markets where there is little room for several players in the procurement of goods and services and there are incentives to collude against transparency. Thus, there is no way national institutions will impartially bring the corrupt to trial. Bukele's approach is different to his predecessors' in the fact that he understands how globalization can better contribute to political development. Perhaps he should include the UNCAC Coalition as part of the institution that will oversee corruption."

A **Mark L. Schneider, former State Department Human Rights Bureau principal deputy assistant secretary and senior advisor at the Center for Strategic and International Studies:** "El Salvador has done a decent job recently through former Attorney General Douglas Meléndez and a dedicated constitutional court in investigating and prose-

cuting three former presidents and other high officials. However, a report that CSIS published last year based on civil society diagnostics showed a country with glaring vulnerabilities to corruption. A CICIES could offer a strong mechanism to investigate and offer policy reforms to counter the flawed process for selecting high court judges and attack judicial corruption itself. That proposal from President Bukele is a major

“To succeed, it will require the continued strong political support of President Bukele, Vice President Ulloa, civil society and its international partners.”

— Mark L. Schneider

break with the past and a first step in implementing his commitment to transparency and anti-corruption. It also would be a way to investigate illegal campaign financing, conflicts of interest in a civil service system still based largely on 50-year-old laws that enable preferential rather than merit-based hiring and promotion, and remedy a woefully inadequate capacity to prevent Odebrecht-like suborning of public procurement and contracting. To succeed, it will require the continued strong political support of President Bukele, Vice President Ulloa, civil society and its international partners, particularly the United States, and those in the private sector who understand that without the rule of law, El Salvador cannot achieve its development goals. CICIG in Guatemala, unfairly tarred by public and private targets of its investigations, helped Guatemala's attorneys general disband 60 criminal networks and drug traffickers, convict hit squad leaders and corrupt former high officials and end the belief that the elite were untouchable even when they violate the law."

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