FEATURED Q&A

Are Graft Cases Increasing Political Risk in Ecuador?

Ecuadorian Vice President Jorge Glas has denied involvement in the Odebrecht corruption case. // File Photo: Ecuadorian Government.

Ecuadorian Vice President Jorge Glas last month denied any involvement in the corruption case involving Brazilian construction firm Odebrecht, which is under investigation for the alleged bribery of officials in several countries. Also in June, Ecuador’s comptroller general, Carlos Pólit, resigned after being implicated in the Odebrecht case. How are the developments affecting the young administration of President Lenín Moreno? Will the corruption cases make it more difficult for Moreno to push through his agenda? To what extent should companies doing business in Ecuador be concerned about the country’s level of political risk?

Ramiro Crespo, president of Analytica Securities in Quito:

“Unlike most other countries dealing with the Odebrecht scandal, in Ecuador, the list of implicated public officials has remained hidden. This has so far enabled Glas to deny any personal involvement in the scandal, despite having been politically in charge of government relations with the Brazilian firm for a decade. Strong evidence of his personal corruption has come from other cases, including that of technical auditor Caminosca. Pólit, meanwhile, became only the latest official to flee to Florida under suspicion of corruption just months after being confirmed as comptroller for a third straight term. The deepening scandal and the departure of former President Rafael Correa have helped to strengthen Moreno politically, while threatening to bury his political vehicle, Alianza PAÍS (AP). Already, the AP majority in Congress saw no way out but to impeach Pólit after the resignation. Similarly, More-

Continued on page 2
Brazil Congressional Committee Votes Against Trying Temer

A Brazilian congressional committee on Thursday rejected a report that recommends putting President Michel Temer on trial on corruption charges, handing a symbolic victory to the embattled president. Earlier this week, Sergio Zveiter, a lower house member who was appointed to study the graft case against Temer recommended that legislators proceed with putting the president on trial. However, the chamber’s constitution and justice committee rejected the report on a vote of 40-25, with one abstention, the Financial Times reported. The committee’s vote is largely symbolic, as it will be up to the full Chamber of Deputies to decide whether to try Temer. The committee vote does demonstrate, however, that Temer’s allies were able to muster enough support to win the committee’s rejection. Temer will need the support of just over a third of Congress to win the committee’s rejection. Temer will need the support of just over a third of Congress to avoid an indictment. Brazil’s public prosecutor recommended that legislators proceed with putting the president on trial. However, the chamber’s constitution and justice committee rejected the report on a vote of 40-25, with one abstention, the Financial Times reported. The committee’s vote is largely symbolic, as it will be up to the full Chamber of Deputies to decide whether to try Temer. The committee vote does demonstrate, however, that Temer’s allies were able to muster enough support to win the committee’s rejection. Temer will need the support of just over a third of Congress to avoid an indictment. Brazil’s public prosecutor’s office is expected to bring additional charges against the president, the Financial Times reported. The prosecutor’s office has already indicted Temer on graft charges after he was heard in a secretly made recording, allegedly discussing bribes with Joesley Batista, the former chairman of meatpacking giant JBS.

Peru’s Humala, Wife Detained as Charges Are Prepared

Former Peruvian President Ollanta Humala and his wife Nadine Heredia were detained on Thursday after a Peruvian judge ordered their arrest while the two are under investigation for money laundering and conspiracy charges tied to Brazilian construction conglomerate Odebrecht, the Associated Press reported. Earlier this week, Prosecutor Germán Juárez of the attorney general’s office filed a request to Judge Richard Concepción for Humala and Heredia to be taken into custody for as long as 18 months while the prosecution prepares charges against them, so that the couple does not attempt to flee the country. The allegations against the former president and his wife stem from the allegedly discussing bribes with Joesley Batista, the former chairman of meatpacking giant JBS.

Brink’s Acquiring Argentina-Based Maco

Virginia-based global security and logistics company Brink’s is acquiring Buenos Aires-based competitor Maco Transportadora de Caudales for approximately $209 million, the Richmond Times-Dispatch reported Thursday. Brink’s is one of the world’s largest suppliers of armored-truck transportation of cash and valuables. It also provides automated-teller machine management, transportation logistics and money processing. Maco has approximate 2.4 percent in 2019. It expects GDP to rise by 2 percent in 2018 and 2.4 percent in 2019.

S&P Downgrades Chile Citing Low Copper Prices, Business Confidence

Ratings agency Standard and Poor’s on Thursday downgraded Chile’s long-term foreign currency rating by one step to A+ from AA-, with a stable outlook, the Financial Times reported. S&P analysts cited low global copper prices and low domestic business confidence as two of the major factors limiting the country’s GDP growth prospects. The ratings agency said it expects Chile’s economy to grow by only 1.6 percent this year, unchanged from last year. It expects GDP to rise by 2 percent in 2018 and 2.4 percent in 2019.

Eleven Adults Killed at Children’s Birthday Party in Mexico

Eleven adults were killed Thursday when masked gunmen burst into a children’s birthday party in Mexico’s Hidalgo State and began shooting, BBC News reported Thursday. Police said they found three children alive at the scene in the city of Tizayuca. The party was being held in a tent outside the host’s home in a residential area.
testimony of a former head of Odebrecht, who said he illegally gave $3 million to Humala’s 2011 presidential campaign, the Voice of America reported. The two are also accused of having received money from then-Venezuelan President Hugo Chávez during an unsuccessful bid by Humala for Peru’s presidency. Prosecutors are alleging that Humala never declared the contributions and that he and

Heredia and Humala // File Photo: TV Perú.

Heredia conspired to hide the contributions for personal enrichment. Humala has denied the charges and called them baseless. Odebrecht is believed to have paid $29 million in bribes in Peru for projects that were built during the presidencies of Alejandro Toledo and two of his successors, Alan García and Humala.

ECONOMIC NEWS

Venezuela’s Crude Exports to Cuba Fall by 13 Percent

Venezuela’s exports of crude oil and fuel to Cuba have fallen by 13 percent in the first six months of this year, according to documents from PDVSA, Reuters reported Thursday. The drop in deliveries threatens to worsen gasoline and power shortages in the communist country. The country has relied heavily on shipments of oil and fuel from Venezuela since 2000, when the two countries created a series of bilateral agreements under then-Venezuelan President Hugo Chávez to exchange oil and fuel for Cuban doctors and other services. Shipments of Venezuelan crude to Cuban refineries fell by 21 percent to 42,310 barrels per day during the first half of this year, and refined products sent to Cuba remained steady at 30,040 bpd. Venezuela sent a total of 72,350 bpd of crude and refined products to Cuba during the first half of this year, down 13 percent year-over-year. Cuba has already had to ration its fuel allocations and electricity consumption. Last year, the government reduced fuel allocations by 28 percent to most state-run companies and cut electricity consumption, including a 50 percent cut in public lighting. Cubans have reported minor gasoline and diesel shortages at gasoline stations since March of this year. “Cuba needs at least 70,000 bpd from Venezuela to cover its energy deficit and avoid deeper rationing. A larger or total loss of the Venezuelan supply would have a high political and financial cost for Cuba,” particularly as it looks to increase tourism on the island, said Jorge Piñon, a Cuban energy expert at the University of Texas at Austin.

THE DIALOGUE CONTINUES

Is Panama Making the Right Move by Recognizing China?

Panamanian President Juan Carlos Varela on June 21 defended his country’s decision the week before to give diplomatic recognition to China, effectively cutting off diplomatic relations with long-time ally Taiwan. He said the move was “the right thing to do,” adding that it would bring investment and trade to the country. Did Panama make the right decision in giving diplomatic recognition to China? What will be the consequences for Panama, China and Taiwan? How likely is it that other Central American or Caribbean countries will follow suit?

Ta-kuay Lee, director of the Press Division at the Taipei Economic and Cultural Representative Office in the United States: “Disregarding more than a century of diplomatic ties, and acting in the interest of economic gain, the government of Panama, led by President Juan Carlos Varela, recently switched its diplomatic recognition from Taiwan to Beijing. In doing so, Panama disregarded the longstanding bonds of solidarity and friendship developed between the Republic of China (Taiwan) and Panama, as well as the long-term assistance provided by the ROC in support of Panama’s national development. Although we have lost a diplomatic ally, our refusal to engage in a diplomatic bidding war will not change. The fact that the Republic of China exists will not change. And Taiwan’s value and standing in the international community will not change. The People’s Republic of China has continued to manipulate its ‘one China’ principle and pressure Taiwan’s international space, threatening the rights of the Taiwanese people. But it remains undeniable that the Republic of China is a sovereign country. This is a fact China will never be able to deny. The people of Taiwan want peace. Taiwan’s existence and international space are vital cornerstones for regional peace and stability. We do not want to see China’s misguided efforts and provocations lead cross-strait relations from peace toward confrontation. Coercion and threats will not bring the two sides closer. Instead, they will drive our two peoples apart. As a constructive member of the international community, the ROC remains committed to upholding peace and stability in the region and will continue to promote steadfast diplomacy to expand its international participation and gain the international status to which it is entitled.”

EDITOR’S NOTE: The comment above is a continuation of the Q&A published in the July 7 issue of the Advisor.
to Correa’s famously confrontational nature, but style is not policy and in truth it will take
time to access what these differences mean
in practice. Corruption, of course, is more of
a complication for large businesses because
of the difficulties it creates for listing assets
and liabilities on a financial ledger than any
real impact that it has on common citizens.
But, as we can see with the impeachment
last year of Brazilian President Dilma
Rousseff and the recent conviction of Luiz
Inácio Lula da Silva, conservatives are fond
of using charges of corruption against their
political opponents on the left, even as those
on the right are more deeply implicated
in such scandals. For that reason, we should
be skeptical of corruption charges, and
question whether they are a distraction from
more important issues of how to create a
more fair and reasonable distribution of
resources across society.”

Abelardo Pachano, president
of Finanview in Ecuador,
former CEO of Prodbanco
and former Ecuadorean central
bank president: “Without a doubt, the latest
corruption accusations, which are not
limited to Odebrecht, have not only affected
economic activities, but have put President
Moreno under scrutiny for clearing all these
corruption cases and cracking down on
those implicated of graft. The whole country
is awaiting concrete results from investi-
gations by the attorney general’s office. All
the documents have been sent from the
Brazilian authorities, but are maintained
under seal for as long as the case is under
investigation. The future of this government
depends on the way these issues are dealt
with and resolved. People working in compa-
nies, as well as public offices, have become
aware that there are new and more effective
ways of detecting corruption, and therefore
they need to perform their jobs honestly. In
any case, it will be necessary that we regain
independence from the state with regard to
justice and control systems to close down
on these nefarious acts. Whether private
investment opportunities in Ecuador improve
will depend on the legal and political reforms
that need to take place, as well as fighting
off corruption. Time will tell if the current
government keeps its promises.”

The Advisor welcomes comments on its Q&A
section. Readers can write editor Gene Kuleta
at gkuleta@thedialogue.org.

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

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

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
fretrial@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 permis-
sion from the publisher.