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FEATURED Q&A

Will Corruption in Honduras Increase Without MACCIH?



Honduran President Juan Orlando Hernández's government and the Organization of American States failed to reach an agreement on renewing the mandate of an OAS anti-corruption commission. // File Photo: Honduran Government.

Q Honduras' government and the Organization of American States failed to reach an agreement to renew the mandate of the OAS-backed anti-corruption commission in the Central American country, known as MACCIH, effectively ending the agency's mandate on Jan. 19. That same day, Honduran President Juan Orlando Hernández—whom witnesses in a U.S. court have implicated in a bribery scheme in connection to a drug trafficking conspiracy case involving his brother—said his government remained committed to battling graft. Why did negotiations to renew MACCIH's mandate fail? What implications does the withdrawal of the commission have on the fight against corruption in Honduras? Did MACCIH indeed overreach its remit, as some sectors of Honduran society allege?

A Hugo Llorens, former U.S. ambassador to Honduras: "The failure to renew MACCIH's mandate is a severe blow to anti-corruption efforts in Honduras. True, from the start the well-intentioned MACCIH was plagued by management problems, lack of judicial discretion and weakness in strategic planning/institution building. Worse, it was manipulated by those in power to pursue investigations against anyone but themselves. That fact, plus pernicious opposition from political and business elites who also feared the MACCIH sword, made success difficult. Nonetheless, despite major shortcomings, MACCIH's efforts contributed to making the fight against corruption a national priority and responded to the Honduran people's demand for dramatic action against the corruption epidemic. While the MACCIH fiasco is a major setback, the United States retains huge interests in Honduras,

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Attack Leaves Six Dead in Nicaragua

Local leaders of an indigenous group in Nicaragua said six people were killed and homes were burned Wednesday evening when 80 armed men attacked their community on the country's northern Caribbean coast.

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Mexico's Economy Shrinks in 2019

Lower investment from businesses due to concern over President Andrés Manuel López Obrador's economic management was the main reason cited for the decline.

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POLITICAL

Latin America Braces for Fallout From Coronavirus

Health officials in Latin America and the Caribbean are warning citizens to prepare for the new coronavirus, which World Health Organization chief Tedros Adhanom Ghebreyesus has declared a global emergency. Major exporters such as oil and agricultural sectors worry about demand.

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Ghebreyesus // File Photo: @drtedros via Twitter.

POLITICAL NEWS

Latin America Braces for Fallout From Coronavirus

Health officials in Latin America and the Caribbean are warning citizens to prepare for the new coronavirus, which the World Health Organization on Thursday declared a global emergency as the outbreak continues to spread outside China. "The main reason for this declaration is not what is happening in China but what is happening in other countries," said WHO chief Tedros Adhanom Ghebreyesus, BBC News reported. The WHO said there had been 98 cases in 18 countries other than China, but no deaths. Earlier this week, Brazil raised its risk level and advised against traveling to China after revealing three suspected cases of the virus in cities across the country, Folha de S.Paulo reported. Ecuador reported Sunday its first "suspected case" of coronavirus in a Chinese citizen who arrived to the Andean country from Hong Kong, Agence France-Presse reported. The new strain has no cure and has infected more than 10,000 people in China. Stocks and currencies in Latin America fell sharply on Thursday. The Asian giant has become a primary trading partner for many countries of Latin America and the Caribbean, leaving some to worry about consequences for key industries. China imports the majority of Ecuador's shrimp, for example, and the loss of the Asian market could hurt the industry. Sales of Latin American oil cargoes to China have ground to a halt this week, Bloomberg News reported Thursday. Zero sales have been reported since last week for March-loading cargoes from Brazil and Colombia and unsold cargoes are piling up, according to the report. While interest from buyers has been sluggish, China hasn't so far canceled or postponed any cargoes set to load in February. Refineries in China, which take 30 percent of their shipments from Brazil, Colombia and other major Latin American oil exporters, are expected to cut production amid speculation that travel restrictions put in place to halt the spread of the coronavirus will damp-

en demand for gasoline, diesel and jet fuel. The Global Health Security Index, published last October by Johns Hopkins University and The Economist Intelligence Unit, found that no country in Latin America should be considered "well prepared" for a global pandemic, but that five countries in Central and South America are of higher concern, namely Belize, Guatemala, Guyana, Honduras and Venezuela, according to analysis from Latin America Risk Report.

ECONOMIC NEWS

Mexico's Economy Shrinks in 2019

Mexico's economy contracted by 0.1 percent in 2019, the first decrease registered in more than a decade, according to preliminary data from national statistics agency INEGI released Thursday. While gross domestic product remained flat in the last quarter of the year, as compared to the previous months, the figure was slightly better than the 0.1 percent contraction analysts in a Reuters poll had expected. The final estimate for the quarter will be published Feb. 25. Analysts had expected better growth at the start of 2019, and Mexico's real GDP growth "utterly disappointed" last year, Goldman Sachs economist Alberto Ramos told clients in a research note Thursday. Lower investment from businesses due to concern over President Andrés Manuel López Obrador's economic management was the main reason cited for the decline, Reuters reported. The economy struggled during López Obrador's first year in office, who had promised to deliver 4 percent growth per year during his six-year term. On Thursday, however, López Obrador shrugged off GDP data as "neoliberal" metrics, telling reporters that wealth was now spread more equitably, Reuters reported. "They don't matter that much to me, because I say, growth may mean that there's more money in a few hands," he said at a news conference. "It's very important to have better distribution of income and that the benefits reach all," he added. The last year Mexico's economy shrank was in 2009, when GDP fell by 5.4 percent as the

NEWS BRIEFS

Attack on Indigenous Community in Nicaragua Leaves Six Dead: Report

Local leaders of an indigenous group in Nicaragua said six people were killed and homes were burned Wednesday evening when 80 armed men attacked their community on the country's northern Caribbean coast, the Associated Press reported. However, local police said two died, according to the AP. Residents also reported the disappearance of at least 10 people. International human rights groups have been monitoring conflicts as settlers and business interests encroach on indigenous territory.

Argentina to Make Debt Restructuring Offer to Creditors in March

Argentina will make an offer to creditors for the restructuring of its debt in the second week of March, according to a government timeline, Reuters reported Thursday. The Economy Ministry said its "external public debt sustainability unit" will meet with financial advisors and banks starting next week to discuss renegotiation of the debt. A mission from the International Monetary Fund will be in Buenos Aires from Feb. 12 to 14, according to the timeline.

Colombia's Environmental Authority Fines State-Owned Ecopetrol for Spill

Colombia's environmental authority has fined state oil company Ecopetrol for the spilling of oil in a well located in the Andean country's northern region last year, causing pollution, Ecopetrol said, Reuters reported Thursday. The equivalent of 550 barrels of crude upwelled from the Pozo Lisama 158 well, which had been abandoned due to low production, in Santander department. The crude spill affected the region's flora and fauna, according to the report.

global financial crisis escalated, El Financiero reported. Looking ahead, the outlook for investment spending “remains lackluster,” Goldman Sachs’ Ramos said. However, he noted on the positive side that real wage gains, supported by recent minimum wage increases, and the expected moderation of inflation, as well as robust workers’ remittances amid competitive currency trends, should provide a “cushion” in the face of the expected deceleration in the economy.

BUSINESS NEWS

Colgate-Palmolive Sales Rise 2 Percent in Latin America

New York-based Colgate-Palmolive said today its sales in Latin America increased 2 percent in the fourth quarter of 2019. The region makes up 23 percent of the consumer products company’s overall sales. Volume gains were led by Mexico and Colombia, the company said. Although organic sales for Latin America increased 6.5 percent, operating profit in the region grew 3 percent in the fourth quarter of 2019, to \$245 million. The company said it maintained its leadership in the toothpaste market in Latin America during the quarter, with market share gains in Colombia, Argentina, the Dominican Republic, Costa Rica, Chile and Panama. For the full year of 2019, the company reported flat sales in Latin America, largely due to the effects of foreign currency exchange, which declined 7 percent.

Banco Daycoval Plans \$1 Billion Brazil IPO: Reuters Report

Brazilian lender Banco Daycoval is planning to launch an initial public offering in April that could raise nearly \$1 billion, Reuters reported Thursday. The move would re-list its shares on the São Paulo stock exchange three years after

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a pro-American ally key to regional stability and to achieve success on the illicit drug and immigration fronts. We must remain engaged and support those in Honduras, including Luis Javier Santos and his anti-corruption team’s efforts to strengthen the rule of law. The possible creation of an anti-corruption commission involving the nation’s political parties as stakeholders might be a way of restarting constructive international involvement. Above everything is Honduras’ urgent need for new and dynamic leadership. The trouncing of the Honduran Constitution to allow Hernández an illegitimate second term has been the ‘original sin’ exacerbating many of Honduras’ current political and moral woes. The United States and its allies must encourage the rise of young leaders with fresh ideas across the political spectrum, ensure free and fair elections in 2021 and support a successful transition.”

A **Aída Romero, former member of the MACCIH monitor team at American University’s Center for Latin American & Latino**

Studies: “The negotiations to renew the OAS-backed mission in Honduras failed because MACCIH has been effective enough to scare the political and ruling class. Any statements put forth about MACCIH ‘overstepping its boundaries’ are excuses learned from Guatemala’s able ouster of CICIG and an easy way to justify the non-extension of the mandate. Although many alleged MACCIH’s mandate was weak and had ‘no teeth,’ by supporting the creation of UFECIC and anti-corruption courts and assisting the Public Ministry in Honduras in case-investigation,

taking the company private, three sources with knowledge of the matter told the news agency. The bank’s Lebanese-born founders, Ibrahim and Sasson Dayan, and other family members have hired investment banks to manage the IPO. The family is counting on a recovering Brazilian economy and high valuations for a series of financial start-ups to boost the shares’ value in the second IPO, the sources told Reuters. In

MACCIH gave international backing and expertise to investigative work that would have otherwise remained shelved and created hope that the country’s justice system could be rescued from the entrenched corruption. MACCIH’s press conferences shined a light on how widespread these corrupt networks

“Any statements put forth about MACCIH ‘overstepping its boundaries’ are excuses learned from Guatemala’s able ouster of CICIG...”

— Aída Romero

are in the Honduran government and beyond, and by doing so, brought about its own demise. The OAS was right not to accept the watered-down agreement proposed by the Honduran government. Sadly, this means that the fight against corruption will fall upon the already heavily burdened shoulders of the CNA (National Anti-corruption Council) and a few other actors, who lack the support and protection an international donor-backed organization provides and so are rendered powerless against the courts. The National Congress’ recent passage of several laws to reduce prison charges for graft and drug-trafficking charges is clear evidence of how the system uses its power to protect its own, in part due to MACCIH’s inroads in investigating members of Congress. MACCIH was not perfect, but it had been progressing in its handling of cases and in

Continued on page 4

a report this week, Moody’s Investors Service said the bank had shown “steady earnings generation, disciplined business and risk profiles that support superior asset quality compared to same sized peers.” Other financial newcomers planning to list their shares this year amid an ongoing stock market rally include retail lender Banco Votorantim and insurer Caixa Seguridade.

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slowly, laboriously strengthening capacities within the Public Ministry. With MACCIH gone, what little progress was gained will easily be swept away.”

A **Lindsay Singleton, senior vice president of ROKK Solutions:** “Juan Orlando Hernández and his party seized an opportunity to remove the fly from the ointment. Sensing a waning U.S. commitment to MACCIH’s mandate and learning from transactional relations with the Trump administration, Hernández undoubtedly made a calculated decision to let negotiations with the OAS fail, assessing there would be little to no international consequences. Without MACCIH, Honduras will almost certainly take a step backwards in any meaningful fight to combat corruption, especially as allegations continue to plague Hernández. While bodies such as MACCIH and Guatemala’s CICIG certainly have issues—they are often seen as contributing to low trust in government bodies as opposed to bolstering it—they do increase transparency and accountability for officials, past and present. There is no magic bullet to mitigate corruption, but independent bodies can make it more difficult for officials to engage in illicit activities. Whether or not MACCIH was a perfect solution is beside the point—it was a powerful response to an endemic problem, evidenced in the Honduran government’s eagerness to let its mandate lapse.”

A **Eric Olson, director of policy at the Seattle International Foundation and Wilson Center global fellow:** “MACCIH’s success resided almost exclusively in its support for high-level corruption investigations in Honduras. MACCIH was instrumental in establishing a carefully vetted special prosecutor’s unit known as the UFECIC and a circuit of specialized anti-corruption tribunals to try these sensitive cases. It provided international investigators and experts to

assist the UFECIC as it took on cases of systemic corruption that touched on the country’s most powerful politicians. Since 2016, it helped initiate 14 major corruption cases involving 133 individuals, including more than 80 public servants. This is unheard of in Honduras. The political class has been virtually untouchable. Not surprisingly, the one issue the negotiators could not resolve was whether MACCIH could continue assisting the UFECIC to carry out corruption

“**Anti-corruption efforts will be more difficult but not impossible.”**

— Eric Olson

investigations. As the OAS made clear in its statement after the negotiations broke down, it was ‘essential’ that MACCIH continue to accompany and support the ‘investigative capacities’ of the UFECIC. ‘Regrettably,’ the statement went on, the government did not agree. It is understandable, then, that President Hernández would seek to control the public narrative by promising to continue fighting corruption. Despite the setback, MACCIH’s demise is not the end of the story. Anti-corruption efforts will be more difficult but not impossible. On Jan. 24, the country’s attorney general announced that he would create a new special anti-corruption unit (UFERCO) within the Public Ministry that would absorb the UFECIC’s personnel and ongoing cases. This is a brave but risky move. It will be essential that the international community, especially the United States, publicly support the attorney general and provide the UFERCO with the resources and experts it needs to continue the job the MACCIH and UFECIC began.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:ekuleta@thedialogue.org).

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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 ebrand@thedialogue.org

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