

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Senior Policy Advisor
Akin Gump Strauss Hauer & Feld, LLP

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg Pincus

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, 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

José Antonio Ríos

Chief Executive Officer,
Vadium Technology Inc.

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

Will El Salvador's Homicide Rate Continue Falling?



In March, Salvadoran President Salvador Sánchez Cerén announced a plan to increase prison security and send more troops into the streets to fight gang violence. // File Photo: Salvadoran Government.

Q El Salvador, which has among the world's highest homicide rates, has seen that rate drop by half to 331 murders in June, as compared to 677 for the same month the year before. The government credits a tough military crackdown on gang violence as the reason for fewer instances of violence, while the three main gangs attribute the drop in homicides to a nonaggression pact formed in March between the groups. What is the main cause for El Salvador's sharp drop in violence? What more can the country do to build upon the positive momentum? How will the drop in murders, if sustained, affect the economy and migration patterns in the Central American country?

A Christine Wade, associate professor of political science and international studies at Washington College in Chestertown, Md.: "While both the government and gangs have taken credit for the recent drop in El Salvador's homicide rate, the most significant factor in the reduction appears to be the nonaggression pact between the gangs. El Salvador's gangs, specifically MS-13 and Barrio 18 and its Revolucionarios faction, have essentially controlled the level of violence in the country for the past several years. We saw this with the truce (and its ultimate failure), as well as the transport strike and elevated violence last summer. While it's possible that the extraordinary measures that the government passed in May have hindered gangs' ability to carry out some operations, the fact that extortions have continued unabated suggests that gangs remain very much in control of their sectors. Since President Salvador Sánchez Cerén's administration has ruled out further negotiations with gangs, and the past truce has effectively been crimi-

Continued on page 3

TODAY'S NEWS

BUSINESS

LATAM Airlines to Pay \$22 Million in Fines to U.S. in Bribery Case

The Chile-based airline is Latin America's largest and has agreed to pay the fines in connection with a scheme to bribe union officials in Argentina.

Page 3

ECONOMIC

Central Banks Approve Loan for Venezuela

The Latin American Reserve Fund, which is financed by eight central banks in the region, approved a loan of \$482.5 million for the Andean nation.

Page 2

POLITICAL

Peru's Humala Refuses Fujimori's Pardon Request

Outgoing Peruvian President Ollanta Humala ruled out pardoning former President Alberto Fujimori, who is serving a 25-year prison sentence, during the last few days of his term.

Page 2



Fujimori // File Photo: TV Perú.

POLITICAL NEWS

Peru's Humala Refuses to Pardon Fujimori

Peruvian President Ollanta Humala on Monday said he would not pardon imprisoned former President Alberto Fujimori in the last few days of his term, BBC News reported. Fujimori, who turns 78 later this week, is serving a 25-year prison sentence for corruption and human rights abuses during his 1990-2000 rule. He

“I want to be clear about this: I will not pardon him.”

— Ollanta Humala

had requested a pardon last Friday from the outgoing president, who rejected a previous request to pardon Fujimori in 2013. “I want to be clear about this: I will not pardon him,” Humala said in a televised interview, BBC News reported. Humala added that it would take at least a couple of months to evaluate Fujimori’s request for a pardon. “I can’t jump the gun,” Humala told journalist Augusto Álvarez Rodrich on television channel Frecuencia Latina, Reuters reported. “We’re trying to act in accordance with the law and in good faith.” On Thursday, Humala is to hand power over to Pedro Pablo Kuczynski, who has also said he will not pardon Fujimori. He did, however, leave open the possibility of allowing Fujimori to serve the remainder of his sentence under house arrest due to his age and poor health, The New York Times reported. Last month, Kuczynski defeated the former president’s daughter, Keiko Fujimori, for the presidency. Keiko Fujimori assisted her father in requesting the pardon that Humala rejected three years ago, but she has not commented on his most recent request.

ECONOMIC NEWS

Central Banks Provide Venezuela \$482.5 Million Loan

The Latin American Reserve Fund, or FLAR, which is financed by eight Latin American central banks, on Friday approved a three-year loan of \$482.5 million to Venezuela as the country grapples with a balance of payments crisis that has forced the government to cut back on imports of essential goods, Bloomberg News reported. FLAR, whose members include Bolivia, Colombia, Venezuela, Peru, Ecuador, Uruguay, Paraguay and Costa Rica, said the loan will contribute to economic stability. The decision to lend the money to Venezuela was unanimous. The loan will stop short, however, of being able to help Venezuela with its shortage of dollars and widening debt burden, said



Merentes Díaz // File Photo: Venezuelan Government.

Siobhan Morden, the head of Latin America fixed-income strategy at Nomura Holdings. The probability of Venezuela defaulting on its debt by June 20, 2017 is at about 50 percent, according to credit-default swaps traders, down from 55 percent a month ago. “[The loan] just shows that Venezuela is desperate for cash and will get bits and pieces of creative financing where it can,” Morden said. FLAR “provided these funds under very precarious legal conditions.” Venezuela’s central bank, led by Nelson Merentes Díaz, said the Supreme Court had approved the right to borrow funds from FLAR, the organization said in a statement. Opposition lawmakers have disputed the ruling, arguing that the central bank needs congressional approval, as well.

NEWS BRIEFS

Mexico's Homicide Rate Rises for First Time in Four Years

The number of homicides in Mexico rose slightly for the first time in four years in 2015, according to data released Monday by the National Statistics Institute, The Wall Street Journal reported. According to the data, there were 20,525 homicides in 2015, up from 20,010 the year prior. The national murder rate remained unchanged at 17 for every 100,000 people. Several experts have blamed the increase on an uptick in violence among criminal groups.

Chinese Container Ship Strikes Wall of Expanded Panama Canal

A Chinese container ship hit the wall of the recently-renovated Panama Canal amid concerns that the renovated canal has less space and could be unsafe, BBC News reported today. The instance is the third of its kind since the newly expanded canal reopened a month ago. Workers’ groups have said the locks are now too small in the canal for safe operations. The Panama Canal authority has said it is investigating the incidents.

YPF Tecnología, Flotek to Jointly Develop New Oil, Gas Technologies

The technology arm of Argentina’s state-owned YPF Sociedad Anonima, YPF Tecnología, inked a five-year technology agreement with Houston-based Flotek Industries to jointly develop new technologies and new applications for existing technologies, focusing on the oil and gas sectors, the two companies said in a joint statement Monday. Flotek and YPF Tecnología will start technology collaboration to develop “full fluid systems” chemistry customization for the Vaca Muerta shale and Neuquén gas basins, among other initiatives.

FEATURED Q&A / Continued from page 1

nalized, the government must now question how its militarized strategy against gangs fits into emerging realities. The first order of business must be to address extrajudicial violence by state security forces in gang confrontations. In the near and long term, the government needs to invest in social services in affected communities and create economic incentives for gang members to reintegrate into society. Whether they can or should do this without dialogue remains to be seen. A long-term reduction of violence could help to stem the flow of migrants leaving the country, if that reduction was also accompanied by a reinvigoration of the Salvadoran economy."

A **Felix Ulloa, chief of the Electoral Assistance Section at the United Nations Mission in Haiti:** "While government statistics demonstrate that murders committed each month decreased in the first half of 2016, 190 more homicides occurred than during this period in 2015. Last year, El Salvador became the second-deadliest country in the world (including war zones). Monthly rates fluctuated, but victims, places and methods were consistent. Children, families, protected witnesses, deportees and others were murdered in rural and urban areas of 94 percent of the country. Fewer than 10 percent of cases went to court; fewer than two percent resulted in guilty verdicts. Journalists documented that extrajudicial killings increased, and the Human Rights Office began investigations into some. I do not think my country has seen a sharp drop in violence. What we face are different expressions. As it has repeatedly done in the past, the government's repressive actions will further exacerbate this violence. Most Salvadoran citizens applaud the new 'death squads.' Police and soldiers brandish pictures of murdered gang members on social media. The gangs have been classified as terrorist organizations. The Legislative Assembly authorized 'extraordinary measures' called for by the

executive branch, and the judiciary issued arrest warrants for those who attempted to negotiate peace, through the truce in 2012. These actions are neither new nor positive.

“As it has repeatedly done in the past, the government's repressive actions will further exacerbate this violence.”

— Felix Ulloa

They leave unaddressed extreme inequality, psychological trauma and impunity. A sustainable decrease of murders would stop large-scale flight. But to achieve that, the long-term economic and social policies for what is currently unaddressed are needed. The multimillion-dollar economic aid offered by the United States government should be redirected from security measures to these needs. Rather than leading the madness, governments must model effective, fair and rehabilitative justice and show how to treat each other as human beings."

A **Michael E. Allison, associate professor and chair of the Department of Political Science at the University of Scranton:** "It is true that before July, homicides had fallen quite dramatically in the previous three months of the year. Homicides seem to have returned to where they were just over one year ago—when they were just alarmingly high. As usual, the government credits new anti-gang policies that it has implemented; on the other hand, the Mara Salvatrucha and the two factions of Barrio 18 claim that the reduction is the result of their nonaggression pact. It is likely that both gang and government initiatives have contributed to the reduction in homicides. It doesn't have to be a single factor. The failed

Continued on page 4

BUSINESS NEWS

LATAM Airlines to Pay \$22 Mn in Fines to U.S. Authorities

Chile-based LATAM Airlines has agreed to pay approximately \$22 million in criminal and civil fines to U.S. authorities in connection with a bribery case in which it was accused of paying union officials to end a labor strike a decade ago in Argentina, the Associated Press reported. The United States has jurisdiction because LATAM's shares are listed in New York.

JLT Re Acquires Olsa's Peru Portfolio

London-based Jardine Lloyd Thompson's JLT Re subsidiary has acquired Olsa Re's Peru portfolio for an undisclosed amount, JLT announced July 22. Olsa Re, a Peruvian reinsurance broker, has operated for more than 30 years and specializes in the aviation and cargo sectors. In addition to Peru, Olsa has clients in Colombia, Ecuador and Costa Rica, said JLT. "The acquisition of Olsa Re's portfolio provides a strong strategic fit for our clients and further strengthens the range of services we offer in Peru," said José Miguel González, the chief executive officer of JLT Re, Peru and Colombia. JLT Re specializes in areas including construction, mining, energy, oil and aviation. As part of the deal, Olsa's key aviation brokers, José Espinosa and Clara Escobar, have joined JLT Re Peru in order to manage the company's aviation line "and ensure the continuity of the portfolio," said JLT. Last May, JLT launched JLT Re Global Mortgage Solutions, a new business unit in North America, Insurance Business Review reported. The business offers reinsurance to government-sponsored entities, homebuilders, mortgage lenders and mortgage insurers. Jardine Lloyd Thompson provides risk management and employee benefit products in some 135 countries and has approximately 10,600 employees.

FEATURED Q&A / Continued from page 3

2012 truce demonstrated that there are no shortcuts to improving long-term security. Former President Mauricio Funes and the FMLN's support of the gang truce as well as the various 'mano dura' policies that ARENA implemented all resulted in increased violence. They were politically motivated rather than well-designed security strategies. While difficult with a looming economic crisis and national elections approaching in both 2018 and 2019, El Salvador needs to invest in social, economic, security and political policies that will deliver long-term benefits. Officials should provide the attorney general with the resources necessary to successfully prosecute open corruption and organized crime investigations. Even better, they should reconsider agreeing to the establishment of an international anti-impunity body, an entity nearly unanimously supported by the Salvadoran people. Salvadoran emigration to the United States has been going on for decades. It will take some years of improved security and increasing job opportunities to slow such outward migration."

A **Arturo Matute, analyst at the International Crisis Group:** "El Salvador has undergone fluctuations in its levels of homicidal violence in the past years. The 2012 truce between street gangs, orchestrated by Catholic Church representatives and abetted by government authorities, lowered murders from an average of 3,890 in the previous seven years, to 2,553 during 2012-2013. But the backlash against the truce from politically motivated critics, who denounced it as a legitimization of gang activity, pressured the incoming government of President Salvador Sánchez Cerén to seek a more publicly palatable response. His return to a heavy-handed approach and the bloody confrontation that ensued with the gangs inflamed violence to previously unknown levels, making El Salvador the most violent country in the world in 2015 with a national homicide rate of 103 per 100,000 inhabitants. During 2016, the monthly homicide totals have steadily

fallen. The government, which enacted 'extraordinary measures' including enhanced police and military presence on the streets and more punitive legal measures, and the gangs, who announced a cessation of

“ El Salvador seems just to be coming back to its usual, very high, violence levels.”

— Arturo Matute

offensive violent actions, dispute ownership of the descent. Nevertheless, the figure of 331 homicides in June is not below the average of 325 for that month in the five years before the truce. El Salvador seems just to be coming back to its usual, very high, violence levels. Whatever the real reason for the current descent, El Salvador's capacity to control its homicidal violence levels should not depend on the informal agreements that the government and the gangs succeed or fail to carry out, on military crackdowns, or on pacts among criminal organizations. Political parties must cease to politicize the issue of violence. A national effort is needed to strengthen security and justice institutions that respect human rights, centred on increasing collaboration between criminal investigators and judicial prosecutors, and to deal head-on with the grave lack of economic opportunities that continues to spur new recruits into the joining the gangs. Neighboring Guatemala, which suffers similar problems, and which has not managed to remedy its economic predicament, has nevertheless achieved a sustained decrease in homicide levels since 2009 through stronger collaboration between its security and justice institutions."

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 © 2016

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Nicole Wasson

Reporter, Assistant Editor
nwasson@thedialogue.org

Jen Wagman

Editorial Intern



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Kevin Casas-Zamora, Director,
Peter D. Bell Rule of Law Program

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 1211 Connecticut Avenue NW, Suite 510 Washington, DC 20036

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 permission from the publisher.