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FEATURED Q&A

Are Maduro's Days Numbered in Venezuela?



Under President Nicolás Maduro, Venezuela has experienced a number of economic problems, including a plunge in the price of oil, a sharp decline in the value of its currency, triple-digit inflation and scarcity of basic goods. // File Photo: Venezuelan Government.

Q Venezuelan Vice President Aristóbulo Istúriz said Sunday that an opposition-led petition drive for a referendum to remove President Nicolás Maduro from office would not be allowed to move ahead, accusing organizers of committing fraud in collecting signatures. Meanwhile, last Friday Maduro declared a 60-day state of emergency, ordering military exercises to prepare for what he called "foreign threats." On Sunday, he told a crowd of supporters that all businesses and factories closed down by their owners would be "given to the workers" so production could be restarted. Given recent developments, how likely is Maduro to complete his term? What scenarios could develop that would trigger a regime change in Venezuela? What other countries have gone through similar crises as Venezuela's, with rampant inflation and shortages of basic goods, and what do their experiences foretell about what might happen in Venezuela?

A Michael Shifter, president of the Inter-American Dialogue: "Despite Venezuela's unrelenting economic and humanitarian crises, it is not inconceivable that Maduro will remain in office until the end of his term. The opposition remains relatively weak and divided, unable to capitalize on its majority in the national assembly to drive the country's political dynamics and policy agenda. The government controls key institutions, including the judiciary and the electoral council. As if there were any doubt, the Vice President's statement makes it clear that the government will shut down the recall process. With institutional channels blocked and the government displaying its military muscle, the opposition is more likely to resort to the streets. The role of

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TODAY'S NEWS

POLITICAL

Brazil's President Names New Head of BNDES

Maria Sílvia Bastos Marques, who chaired Brazilian steel-maker Companhia Siderúrgica Nacional, will take them helm of Brazil's massive state lender. Michel Temer, Brazil's interim president, has been criticized for not choosing any women for his cabinet.

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ECONOMIC

Chile Expects Copper Prices to Rise Sharply

Chilean officials expect copper prices to increase by about a third over the long term because of rising demand from China.

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POLITICAL

Fujimori to Ask U.S. About Drug Money Allegations

Peruvian presidential candidate Keiko Fujimori will ask the U.S. Drug Enforcement Administration about a media report suggesting that the agency is investigating a senior figure in her party over money laundering.

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Fujimori. // File Photo: Government of Peru.

POLITICAL NEWS

Brazil's Interim President Names New Head of BNDES

Michel Temer, Brazil's interim president, on Monday replaced the head of state development bank BNDES with a female economist in the face of criticism over his all-male, white and largely conservative cabinet choices last week, Agência Brasil reported. Maria Sílvia Bastos Marques, who chaired Brazilian steel-maker Companhia Siderúrgica Nacional between 1999 and 2002, replaces Luciano Coutinho at the helm of the massive lender, which employs 2,000 people and has more than \$300 billion in assets. Even after a 28 percent drop last year, BNDES's total disbursements of about \$38 billion were roughly double those



Bastos // File Photo: TeleSUR.

of the World Bank, The Wall Street Journal reported. Lending has fallen as a corruption investigation has uncovered evidence of graft in many of the projects that the BNDES financed in recent years, many of which have gone sour as the country's recession continues. Markets are watching Temer's cabinet picks for signals on potential fiscal and monetary policy changes. Finance Minister Henrique Meirelles today will likely pick Itau Unibanco Chief Economist Ilan Goldfajn to head the central bank, Reuters reported. In related news, Brazil's federal police have accused André Gerdau Johannpeter, the head of the country's biggest steelmaker, Gerdau, of corruption-related offenses and say his company participated in a scheme to evade some \$428 million in taxes. Gerdau said Monday that it has yet to see the police report containing the accusations, Reuters reported.

ECONOMIC NEWS

Labor Unions File Complaint Over Colombia Trade Pact

Labor unions from the United States and Colombia on Monday filed a complaint with the U.S. Department of Labor, saying the bilateral trade agreement between the two countries has failed to safeguard worker protections in the Andean nation as promised, Reuters reported. The unions, which have pointed out the massive 12-nation Trans Pacific Partnership they generally oppose is subject to the same shortcomings they see in the Colombia-U.S. pact, said threats and acts of violence against trade unionists in Colombia were neither properly investigated nor prosecuted. The AFL-CIO and four Colombian unions said in the complaint that since the U.S.-Colombian trade deal took effect in 2011, nearly 100 Colombian workers or their advocates were killed as they tried to exercise labor rights. The complaint said the oil and sugar sectors were among the businesses where workers remain oppressed. AFL-CIO President Richard Trumka called the labor provisions for the TPP a "near carbon copy" of those in the Colombian trade deal. Lawmakers will likely vote on the TPP, which was negotiated last year but still requires U.S. congressional approval, after the November presidential elections. A study by the Washington-based Peterson Institute for International Economics estimates the TPP will increase annual real incomes in the United States by \$131 billion and boost annual exports by \$357 billion by 2030.

Chile Expects Copper Prices to Rise Sharply

Chilean officials expect copper prices to increase by about a third over the long term because of rising demand from China, Bloomberg News reported today. Copper, the country's top export, may average \$6,330 per metric ton after 2018, Sergio Hernández, executive vice

NEWS BRIEFS

Fujimori to Ask U.S. Authorities About Drug Money Allegations

Peruvian presidential candidate Keiko Fujimori said Monday she will ask the U.S. Drug Enforcement Administration about a media report suggesting that the agency is investigating a senior figure in her party over money laundering, Reuters reported. The secretary general of Fujimori's Fuerza Popular party, Joaquín Ramírez, is implicated in a scheme to launder \$15 million in illicit funds. Ramírez and Fujimori have both denied the allegations. Fujimori is running neck-and-neck against Pedro Pablo Kuczynski in a June 5 runoff election.

Mexican Teachers Call Indefinite National Strike

Members of the CNTE teachers union in Mexico began an indefinite strike on Monday, demanding that the government of President Enrique Peña Nieto scrap its education reforms, EFE reported. The reforms include mandatory teacher evaluations, which began last year and can lead to the dismissals of teachers who fail them. Teachers in several states were working, but there was a "high level" of teachers who were observing the strike in states including Michoacán and Guerrero, said Michoacán's CNTE secretary, Salvador Almanza.

Uruguay to Export Wind Power to Argentina

Uruguay is set to export electricity generated by its wind farms to Argentina under a pioneering deal between two private companies, Wind Power Monthly reported today. The deal between Uruguayan developer Ventus and Argentine energy trader Saesa covers exports equivalent to 10 megawatts of installed capacity. Ventus and Saesa have also signed a letter of intent for up to 80 megawatts. The agreement marks the first power export deal between two private companies in the countries.

president of the Chilean Copper Commission, or Cochilco, told reporters. Some producers, such as Rio Tinto Group and Freeport-McMoRan, have projected the copper market will be in deficit within several years, if not next year. "We have a high level of confidence about the increasing prices," Hernández said. The lull in global copper prices in recent years has brought labor tension in Chile as companies adjust to lower demand. Unionized workers at Freeport-McMoRan's El Abra mine accepted a wage contract offered by the company last month after a strike, Reuters reported. The company scaled back El Abra's operations last year and laid off 650 workers. El Abra produced 147,200 tonnes of copper last year.

BUSINESS NEWS

Diageo Results Hit by Accounting Error in Latin America

Spirits giant Diageo PLC disclosed Monday that its Latin America sales for fiscal year 2016 will suffer from an accounting error in its high-end tequila brand Don Julio, The Wall Street Journal reported. Diageo's sales in Latin America will take a 2 percent hit in the current fiscal year ending June 30 due to sales that the company accidentally double booked. Diageo's Mexico unit sold some bottles of Don Julio to the company's U.S. unit that it recorded as an external sale. The company's U.S. unit then sold those bottles and recorded that as a separate sale. In Latin America and the Caribbean overall, Diageo logged net sales of about \$1.48 billion last year, roughly 10 percent of Diageo's global sales and 9 percent of profit. Spirits makers have bemoaned the large illegal alcohol market in Latin America, which several years ago accounted for a quarter of the region's total alcohol sales, according to a 2014 Euromonitor report. Industry lobbyists say high taxes on liquor tend to drive consumers to illicit and dangerous alternatives, as rogue distillers avoid health regulations and add sometimes lethal ingredients to their products.

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the armed forces will be crucial, though it remains uncertain. There are few precedents of a social and economic calamity of this magnitude. Only Zimbabwe under Mugabe (who Chávez greatly admired) has certain features in common with Venezuela, given its extremely high levels of inflation and the president's tight control of all state institutions. Venezuela should best be compared to other oil-based economies. It is hard to understand the reality without taking into account that fundamental characteristic. The government's stability would be put at risk by a government default, which many economists are predicting, or the collapse of the black market, where millions of Venezuelans acquire basic goods, even at exorbitant prices. There are signs that the black market may indeed be collapsing. Until then, however, Maduro could well stay in power, despite the heightened repression and utter mismanagement of the country's affairs."

A **Gustavo Coronel, a founding board member of PDVSA:** "Obviously, the regime in power, supported by high ranking officers from the armed forces, has openly decided to execute a coup. There is no other word for what is going on in Venezuela. However, the National Assembly insists on continuing the constitutional process leading to a referendum while increasing popular mobilization to apply pressure to the regime. At the same time, the regime is openly fracturing, as General Clíver Alcalá Cordones (fingered as a narco-general by the U.S. government) has been openly challenging Maduro as a legitimate president during the last few days, possibly as a prelude to an internal counter-coup led by the narco-generals. The situation in Venezuela is rapidly becoming more chaotic. Maduro will not complete his term. The country seems convinced that not only Maduro but the whole regime has to go. A potential game changer, a scenario consisting of massive popular protests and an indefinite general strike, supported by

some armed forces groups, is becoming more probable by the week. I have been advocating this scenario as the only realistic way out of the Venezuelan tragedy. Such a scenario could receive great support if the democracies in the region openly denounced the Maduro regime. I can cite two countries in which a similar crisis as Venezuela's has taken place. One, France under Louis XVI, ended with the king losing his head. The other, Zimbabwe under Mugabe, ended with Mugabe holding on to power supported by the military. Maduro will keep his head but not his job."

A **Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest:** "Venezuela is in uncharted territory and remains wildly unpredictable. This is because its challenges and dynamics are country-specific, and relate mainly to its status as an oil-dependent economy. Scenario analysis is complicated by shadow actors, such as the military; the flux and petulance

“ Much depends on the MUD, for whom strategic missteps are common. **”**

— Julia Buxton

of its political leaders; and the extraordinary tolerance and democratic orientation of the majority of the population. It is quite astonishing that despite the catastrophic economic situation, two recent opinion polls demonstrate that Maduro still commands significant popular support—a third of the electorate are of the view that his administration is doing a good job. This relatively strong poll showing will embolden Maduro and underpins the renewal of the state of

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the emergency. A recall referendum appears inevitable despite the inflammatory claims of Istúriz. The timing is more difficult to anticipate. Undoubtedly the government will seek to obfuscate and delay past the year's end to ensure even if Maduro is recalled, no new elections can take place and Vice President Istúriz assumes the presidency for the remainder of the term. That may actually be the preferred option of many voters and interests who despair of Maduro but who are fearful of the factionalized, incoherent and frequently vengeful opposition MUD. As ever, much depends on the MUD, for whom strategic missteps are common. Efforts to induce regime change through accelerating protests (including over the recall process) or inducement of military intervention will serve only to alienate the center ground and even stabilize Maduro."

A Charles Shapiro, president of the World Affairs Council of Atlanta and former U.S. ambassador to Venezuela:

"The Venezuelan opposition, not a party but a conglomeration of parties, has worked three miracles: winning the majority in the National Assembly in November, maintaining unity since, and collecting 1.8 million signatures to trigger the first stage of a possible recall election. Each of these is the political equivalent of landing a manned spacecraft on the moon. Each subsequent step will be more difficult. Since the 2004 referendum, much has changed in the domestic and international area regarding Venezuela. Oil prices are low, Brazil is distracted and cannot pour money into Maduro's campaign, the OAS secretary general knows what democracy is and isn't afraid to say so and Cuba has diversified its strategic options, among other factors. The opposition obviously will call the government's bluff by ignoring Maduro's declared state of emergency and Istúriz's assertions that the recall will not proceed by

continuing with the recall process, which is based on the constitution written by Hugo Chávez. The opposition has advantages in a recall referendum. Namely, opposition unity appears stronger than at any time over the past 16 years. Meanwhile, Maduro's inept economic policies and his tin-ear for politics are alienating his own base of support. Finally, the economy continues to go from bad to worse and then worse again. However, the government does have certain advantages. For one, it has the supine Supreme Court and a subservient Electoral Council (CNE). We can also expect the government to implement a foot-dragging Operación Morrocoy

“The unknown factor is the Venezuelan military.”

— Charles Shapiro

to delay each and every step of the recall. If there's a dirty trick, they will find it. And we should not forget that hardcore Chavistas are willing to stay the course. The unknown factor is the Venezuelan military. The recall referendum is a pressure valve built into the Venezuelan political system to allow a channel for the expression of popular discontent. Viewed from that perspective, it allows the military a more palatable option than intervening in domestic politics and assuming responsibility for this chaos. My bet: if the opposition can remain unified and focused, it can achieve another miracle by recalling Maduro and winning a subsequent presidential election. The hardest challenges have yet to come."

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

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