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FEATURED Q&A

Is Maduro Turning Venezuela Into a Dictatorship?



President Nicolás Maduro has said Venezuela needs a new Constitution. He is pictured holding a copy of the current Constitution, which was implemented during the government of his predecessor, the late Hugo Chávez. // File Photo: Venezuelan Government.

Q The 545 delegates of Venezuela's powerful "constituent assembly," which will have the ability not only to rewrite the country's Constitution, but also to overrule other government institutions, began receiving their credentials on Wednesday. The opposition and several foreign governments widely denounced Sunday's vote to elect the body, which President Nicolás Maduro says is needed to solve the country's political and economic crises, but opponents see as an effort by Maduro to increase his power. Has Venezuela become a dictatorship that is sliding into civil war, as some analysts have asserted? What will result from U.S. sanctions against Maduro? What should be the response from international actors such as the OAS and the United Nations? What will the constituent assembly use its power to do? What can be done to stabilize the country and its economy?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "The constituent assembly election is often cited as the decisive moment, the crossing of the Rubicon, in Venezuela's march toward a repressive, authoritarian regime. This is an exaggeration. More accurately, the election was one more regrettable step toward the dismantling of democracy—a process started with the inauguration of Hugo Chávez in 1999, accelerated after the aborted coup against him in 2002, and proceeding steadily ever since. During this period, Chávez and his successor Nicolás Maduro either took over or undermined the nation's institutions, one after another, including its courts, electoral machinery, parliament, armed forces, state oil company (PDVSA), political parties and provincial

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Brazil's Temer Survives Key Vote in Congress

Brazil's Chamber of Deputies voted against sending President Michel Temer to trial to face corruption allegations.

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Economists Expect Higher Inflation in Argentina

Economists in a survey published by Argentina's central bank expected inflation to rise this year to 22.1 percent, up from an estimate of 21.6 in last month's survey.

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POLITICAL

Venezuelan Attorney General Launches Probe of Election

Attorney General Luisa Ortega Díaz, who has become a vocal critic of President Nicolás Maduro's government, has launched an investigation into whether the results of Sunday's election to elect the country's powerful constituent assembly were manipulated.

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Díaz // File Photo: Venezuelan Government.

POLITICAL NEWS

Brazilian Lawmakers Spare Temer From Impeachment Trial

President Michel Temer on Wednesday survived a vote in the lower house of Brazil's Congress that could have led to his suspension and permanent removal from office. Temer needed at least 172 members of the Chamber of Deputies to reject a move to try him on corruption charges or to abstain from voting, The New York Times reported. In the final tally, 263 lawmakers voted to support him, 227 voted against him and 23 others abstained or were absent from the vote. In order to prosecute Temer, two-thirds of the lower house would have had to vote to formally send his graft case to the Supreme Court. The move would have led to Temer's suspension from office for as long as 180 days and a possible impeachment trial, in which he could have been permanently removed from office. That process played out last year when then-President Dilma Rousseff was ousted from office. Legislators who sided with Temer in Wednesday's vote said Brazil could not withstand continued political upheaval. However, lawmakers who voted to proceed with a trial against him said allowing him to remain in office would amount to supporting a culture of impunity in Brazilian politics. After the vote, Temer delivered televised remarks in which he called lawmakers' decision an "achievement for the rule of law," The Wall Street Journal reported. He added, "It is the time now to cross over the bridge together that will lead us to the great future that Brazil deserves." During the Chamber of Deputies' session, opposition lawmakers held up anti-Temer banners and in some cases brought suitcases stuffed with fake money bearing Temer's face. Temer is accused of pocketing more than \$150,000 from a meatpacking executive as part of a \$12 million bribe that he is alleged to have received through an aide, The Washington Post reported. Temer denies the allegations and has resisted calls for his resignation. Temer, who served as Rousseff's vice presi-

dent and became president after her ouster, is deeply unpopular in Brazil. His approval rating is just 5 percent, and more than 80 percent of Brazilians favor sending him to trial, according to opinion polls. Analysts have attributed his survival to his skills as a negotiator and doling out money to key congressional districts. In June and July, Temer's government awarded more than \$1.3 billion in discretionary funding, an unusually high amount during a time of austerity in which police departments, universities and hospitals have seen their funding cut, The New York Times reported, citing government watchdog group Open Accounts. Several other lawmakers are also under investigation in connection with the massive kickback scheme involving state-run oil company Petrobras and construction giant Odebrecht.

Venezuelan Attorney General Launches Probe of Election

Venezuelan Attorney General Luisa Ortega Díaz has launched an investigation into whether the results of Sunday's election to choose the National Constituent Assembly were manipulated, CNN reported. Díaz told CNN en Español on Wednesday that she had appointed two prosecutors to investigate claims of voter fraud and to investigate the directors of the country's National Electoral Council "for this very scandalous act that could generate more violence in the country than what we have already experienced." The controversial constituent assembly will have the authority to rewrite the Constitution and override the authority of the opposition-led National Assembly. The opposition boycotted Sunday's election, and 10 people were killed in protests related to the vote. Once considered an ally, Ortega has become the most vocal critic of President Nicolás Maduro's administration from within the government. Antonio Mugica, the CEO of London-based Smartmatic, which provided the voting technology for Sunday's vote, says the vote tally of eight million people provided by Venezuela's National Electoral Council was overstated by one million votes. At a press con-

NEWS BRIEFS

Economists Expect Higher Inflation in Argentina

Argentina's inflation expectations for this year have risen sharply to 22.1 percent from 21.6 percent a month earlier, according to a poll of 55 economists published by the country's central bank on Wednesday, Reuters reported. The economists' estimate is well above the central bank's target rate of 17 percent, and follows a 40 percent inflation rate last year. Inflation is a top concern for voters ahead of the mid-term elections in October.

Sanctioned Venezuelan Official Reportedly Chairs Two Uruguayan Firms

Venezuelan state oil company PDVSA's chief financial officer, who was sanctioned last week by U.S. authorities, also chairs two large companies in Uruguay, Bloomberg News reported Wednesday. Simon Zerpa chairs Uruguayan pension fund ASAP SA and Banco Banes Uruguay. Uruguay's financial system is aware of the sanctions, Uruguay's central bank said.

Canada's Eco Oro Agrees on Settlement With Shareholders

Vancouver-based precious metals mining company Eco Oro has agreed on a settlement with 13 shareholders who control two-thirds of the company, ending ongoing litigation between the two sides. "The agreement unites the shareholders of Eco Oro in pursuit of its arbitration claim against the Republic of Colombia," said Eco Oro in a statement. One of the country's largest holdings is the Angostura gold and silver deposit in northeast Colombia, and by Eco Oro's assessment, the deposit contains more than three million ounces of gold. The company is currently in dispute with the Colombian government related to a free-trade agreement between Canada and Colombia, according to Eco Oro.

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and local governments. Nearly all independent media came under Chavista control. So did many private enterprises, labor unions and universities. Sunday's election underscored once again that the Maduro government is determined to hold on to power indefinitely, and certainly unwilling to yield it through democratic procedures. The re-arrest of two of the opposition's most important leaders was further warning that Maduro is not about to compromise with the opposition and is not intimidated either by the U.S. sanctions or by the condemnation of other Latin American countries. But it may also mean that the government is uneasy about the low turnout for the assembly election and the prospect of renewed, and potentially larger and more aggressive, protests. Democracy in Venezuela has long been in a desperate condition, and it continues to deteriorate. Too bad the United States and Latin American nations paid so little attention and responded so tepidly to the steady decay of Venezuela's democratic institutions and rule of law over so many years. There is not much they can do now to reverse course. In the weeks and months ahead, ordinary Venezuelans are likely to face an even deeper hardship, greater uncertainty and increasing violence."

A **Otto Reich, president of Otto Reich Associates LLC and former U.S. assistant secretary of state for Western Hemisphere Affairs:** "The current Venezuela crisis shows the limits of diplomacy. Years of unsuccessful attempts at a negotiated solution by E.U., U.S. and Latin American diplomats simply resulted in buying time for Chávez, Maduro and their Cuban handlers to intensify their hold on power. Dialogue works only with sincere, responsive and responsible governments, not undemocratic ones that are run by de facto organized crime cabals whose principal purpose is to enrich themselves and stay in power so that they do not pay a price for their crimes. Two such govern-

ments in our hemisphere are Venezuela's and Cuba's, and therein lies the real cause of the Venezuelan crisis. Undemocratic governments engage in insincere dialogue while pressing their ulterior agendas. One would have thought the Western world had learned the high human cost of such diplomatic wishful thinking after the 1938 Chamberlain-Hitler 'peace accord' in Munich led to World War II. But, unfortunately, we continue to place our hopes on self-appointed 'peace-makers' such as Spain's José Luis Rodríguez Zapatero. He and his predecessors asked the United States to refrain from pressuring Chávez, and later Maduro, to 'give peace a chance.' The predictable result is now again evident on the streets of Venezuela: unarmed citizens murdered; scarcities of food, medicine, water and electricity; but an abundance of corruption, drug trafficking and violence, all perpetrated by the government itself. For 18 years, a small group of us warned of the building of a Cuba-style dictatorship in Venezuela. We were called 'cold warriors,' 'paranoid,' even 'liars' by the left. Now we see who was right. It is not too late to save the Venezuelan people from an even worse fate than the present: stop listening to the appeasers."

A **Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest:** "If shootings and bombings are not to become routine in Venezuela in the months—if not years ahead—the 'international community' must urgently improve strategy and coordination around the crisis. No productive role can be seen for the OAS, which has discredited itself due to the crass mishandling by Secretary General Luis Almagro and diplomatic miscalculations of regional heavyweights such as Brazil, Peru and Mexico that lacked the legitimacy to bring other states to a consensual position. Almagro's invective and terse OAS statements, like Mercosur's sanctions, have not

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ference Wednesday in London, Mugica said the turnout numbers were "tampered with." Maduro disputed Mugica's claim on Wednesday. "The stupid president of Smartmatic, under pressure from the United States and the United Kingdom, now says only 7.5 million people voted," he said. "I say it was more than 10 million."

BUSINESS NEWS

BTG Pactual Reports 30% Drop in Second-Quarter Profit

São Paulo-based investment bank BTG Pactual saw its profit sink to its lowest level in 16 years during the second quarter, as Brazil faces growing political turmoil, leading to low sales and trading income, Reuters reported Tuesday. BTG's net income was 503 million reais, or approximately \$161 million, last quarter, down by 30 percent from the first quarter, according

The bank's profit sank to its lowest level since 2011.

to a securities filing on Tuesday. The bank's profit and revenue sank to its lowest level since the third quarter of 2011, and return on equity fell by 13.3 percent. BTG's trading desk saw revenue drop by 49 percent due in part to an increase in political turmoil in May that led to higher interest-rate market volatility and caused trading volumes to sag. Brazilian bonds, stocks and currency also fell in May, following the accusation from Brazilian billionaire Joesley Batista that President Michel Temer had worked to obstruct a corruption probe by encouraging Batista to bribe another politician. Second-quarter revenue totaled 851 million reais, and income from investment dropped by 88 percent during the period, while income from sales dipped 74 percent to 154 million reais.

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arrested the accelerating political crisis or the bloodshed. Similarly, U.S. sanctions targeting individuals have had negligible impact—neither changing the calculations of the Maduro government nor arresting the violence. Terms such as ‘dictatorship’ are not helpful in enabling external actors to adopt a necessary course of engagement not isolation of Venezuela. Peace and stability—now or long term—cannot come from condoning strategies of regime change predicated on baiting the security sector and paralyzing civic and economic life. Confidence building, dialogue and negotiation efforts must be led by credible and experienced actors and approaches that have enabled other countries to overcome infinitely worse conflict, destruction and brutality than experienced in Venezuela. Despite its own failures, it looks like U.N. agencies must step up to this task. For the sake of the Venezuelan people, the PSUV and MUD cannot continue to be indulged in the idea they can ‘win’ in this conflict. In this context, the elections for and the convening of the constituent assembly is not a mechanism but a symbol—a symbol of the miscalculations of a host of actors and interests both sympathetic and antagonistic to Maduro.”

A **Riordan Roett, director of the Latin American Studies program at the Johns Hopkins University’s School of Advanced International Studies:** “The arrests of Leopoldo López and Antonio Ledezma were a brazen demonstration by President Nicolás Maduro that international sanctions and criticism carry no weight. The judicial system is no longer independent; the democratically elected National Assembly will probably be replaced by the constituent assembly, which will have extraordinary authority to dominate the political system; the media has been cowed; and street protests have been met with increasingly brutal repression. The only challenge to Maduro must now come from within the Chavista movement that,

for the moment, appears to have decided that Maduro is a useful symbol of the ‘new’ Venezuela. Mercosur may now expel Venezuela, but it will have little meaning, since the country has nothing to trade except petroleum. The United States may impose further sanctions, but Washington must be mindful of the fragility of the Venezuelan

“The only challenge to Maduro must now come from within the Chavista movement...”

— Riordan Roett

economy. Any measures that limit petroleum exports and sales will reduce the flow of foreign exchange that sustains the regime and could be used by the government to default on its international debt obligations, which would have negative consequences for emerging-market economies. Less foreign exchange will reduce imports and inflict further pain on the Venezuelan people, who already lack food and medicine. The options are limited. The first, in the short term, is the consolidation of the brutish regime. The second is continued violent opposition in the streets that will be repressed violently. The only institutional veto player that remains is the military. To date, it has apparently decided to remain loyal to its patron Maduro and his thuggish colleagues. If the country descends into civil war as in Syria, there will be consequences for Venezuela’s neighbors and a different strategy will be required. But Syria reminds us of the consequences of ill thought out military options. Diplomacy remains the best option in the medium and long term but even that option, at the moment, appears hopeless.”

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