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FEATURED Q&A

What Does the Alex Saab Case Mean for the Maduro Gov't?



Colombian businessman Alex Saab, a close ally of Venezuelan President Nicolás Maduro, is to be arraigned today in Miami on money laundering charges. // File Photo: www.alexsaab.co.

Q Colombian businessman Alex Saab, a close ally of Venezuelan President Nicolás Maduro, is expected to enter a plea of not guilty when he is arraigned today in U.S. federal court in Miami. Saab was extradited to the United States from Cape Verde last month on money laundering charges in connection to Maduro's government. In retaliation for Saab's extradition, Maduro suspended negotiations his representatives had been conducting with opposition leaders. Days later, a Spanish court agreed to extradite Hugo Carvajal, a former Venezuelan intelligence chief who was close to Maduro before breaking with him in 2019, to the United States, where he faces drug trafficking charges. How significant are the extradition developments, and to what extent have they raised the stakes for Maduro? What can be expected to come of the court trials involving the two men? What are the main implications of Maduro's suspension of dialogue with the opposition?

A Vanessa Neumann, CEO of Asymmetrica and former Juan Guaidó-appointed Venezuelan ambassador to the United Kingdom: "The Alex Saab and 'El Pollo' Carvajal extraditions are potentially devastating to Maduro: their knowledge of the players and networks will expose to the world that the Maduro regime is not a government at all; it is a brutal transnational criminal organization motivated by nothing more than profit. When those details emerge, the granting of diplomatic recognition and access to sovereign resources to the Maduro regime—his conditions in the negotiations—will be ludicrously

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TODAY'S NEWS

POLITICAL

At Least 25 Killed in Brazilian Police Raid on Gang

At least 25 suspects were killed when Brazilian authorities launched an operation in Minas Gerais state against a gang that officials said was planning bank robberies.

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BUSINESS

Mexico Unit Fuels 22.7% Profit Rise at Spain's BBVA

Spanish bank BBVA said its net profit for the third quarter rose on strength in its Mexico unit. The bank's 1.4 billion euros (\$1.63 billion) in profit for the quarter beat analysts' estimates.

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ECONOMIC

Guyana's Ali Launches Low-Carbon Energy Plan

President Irfaan Ali said Guyana will seek to meet a surge in demand for power by building a new gas-fueled plant and expanding hydropower capacity.

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Ali // File Photo: Government of Guyana.

POLITICAL NEWS

At Least 25 Killed in Brazil Police Raid on Criminal Gang

At least 25 suspects were killed Sunday after police in Brazil's Minas Gerais state launched an operation against a criminal gang that authorities said was planning bank robberies, the Associated Press reported. The operation, which Brazil's Military Police conducted alongside the Federal Highway Police, also led to the seizure of what authorities called "a real arsenal of war" including .50-caliber machine guns, rifles, bulletproof vests and explosives, the AP reported. Authorities said they launched the operation after learning that the criminal gang was planning to rob a bank in the city of Varginha in Minas Gerais state, The Washington Post reported. Members of the group were in two locations in the city and opened fire on police officers shortly after the officers arrived on Sunday morning, the newspaper reported. "Our idea was to make arrests, but from the moment they recognized our presence, the fight started," Aristides Amaral Júnior, a spokesman for the highway police, told reporters. "They had weapons of war.

Tons of gasoline, explosives." The group that authorities attacked on Sunday was the same one that burst into the city of Araçatuba, in São Paulo state, in late August, robbing several banks there, officials said. Bank robbers tied hostages to their getaway cars, using them as human shields. Three people were killed in the incident. Authorities said the group was also involved in a bank heist in Criciúma, in Santa Catarina state, last December.

ECONOMIC NEWS

Guyana's President Announces Low-Carbon Energy Plan

Guyana will seek to meet an expected upsurge in power demand by building a new gas-fueled plant and expanding the country's hydropower capacity in a step to reduce its dependence on fossil fuels for electricity, President Irfaan Ali said last week ahead of the United Nation's COP26 climate conference, Reuters reported. Power demand in the South American nation is expected to triple in five years amid high economic growth driven by the country's oil boom. The government's proposed thermoelec-

NEWS BRIEFS

Haiti's Henry Condemns Gangs, Kidnappings

Haitian Prime Minister Ariel Henry on Friday condemned gangs and kidnappings during a prerecorded address, the first time the leader acknowledged security issues in a public address since the Oct. 16 abduction of 17 members of a U.S.-based missionary group, the Associated Press reported. The 16 U.S. citizens, one Canadian and their Haitian driver were kidnapped as the Caribbean nation has been facing an upsurge in gang violence since earlier this year that authorities are struggling to control.

Colombia's Central Bank Raises Key Rate by Half Percentage Point to 2.5%

Colombia's central bank on Friday hiked its benchmark interest rate by half a percentage point to 2.5 percent, an acceleration aimed at controlling inflation that stands well above the central bank's target rate, Reuters reported. The decision was not unanimous, with two board members favoring a quarter-point increase. Central bank chief Leonardo Villar said raises are likely to continue throughout a good portion of 2022. The central bank expects inflation this year to reach 4.9 percent, higher than its 3 percent target.

Argentine Crypto App Buenbit Rolls Out in Peru

Argentine cryptocurrency exchange Buenbit has started offering its mobile app in Peru, the blockcrypto.com reported Friday. Buenbit had entered Peru's market in May with a platform for businesses. The new app for individuals will allow users to trade eight different cryptocurrencies and also execute transfers to local bank accounts, the website reported. Buenbit CEO Federico Ogue said in a statement that the platform wants to be among the most-used in Peru.

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unacceptable to anyone with basic reasoning capacity and humanity. Suspending the negotiations in Mexico is simply a core competency of the Maduro regime: blackmail, which extends to effective kidnap for ransom, as the Citgo 6 are nothing but the hostages for whom Maduro would swap Saab. Maduro also hopes to embarrass the United States before Europe, which has pushed hard for the negotiations that frankly have never been in good faith. By drawing out the negotiations so they never get to the conditions for a transition, but extending past the farce of the Nov. 21 local elections, Maduro hopes for some meretricious façade of legitimacy. It won't work. With the Mexico negotiations stalled, the opposition in disar-

ray and Guaidó weak, the criminal trials of Saab and Carvajal have become the greatest and most effective pressure against the Maduro regime. If they begin to cooperate, even if some of the details are out of date, what authorities will learn will be enough to design effective tactics to 'shake the tree.' "



Carolina Jiménez Sandoval,
president of the Washington
Office on Latin America: "The
extradition developments

involving Alex Saab are indeed significant. Maduro's decision to suspend his government's participation in the latest round of negotiations in Mexico is a blow to an opportunity to advance much-needed agreements

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trical and hydropower projects are to supply electricity to people living along the country's coast, while solar power is envisioned to meet Indigenous communities' demand. "Cheaper electricity will be supplied, and that supply can increase fivefold with emissions staying essentially flat," Ali said in announcing the country's low-carbon initiative, the wire service reported. The government also plans to upgrade Guyana's transmission and distribution lines. The announcement comes as an ExxonMobil-led consortium ramps up production off the shore of Guyana, where the company recently discovered nearly 10 billion barrels of recoverable oil resources, Reuters reported. The country is producing as many as 120,000 barrels per day (bpd), and it is expected to add another 220,000 bpd with a new production facility by the end of next year. By 2024, a third production facility is expected to boost output by an additional 220,000 bpd. Critics have blasted the oil project for potential environmental damages, including by calling Guyana a "ticking carbon bomb," Argus Media reported. Guyanese activists filed suit against the project earlier this year over environmental concerns.

BUSINESS NEWS

Mexico Operation Fuels 22.7% Rise in Profit at BBVA

Spanish bank BBVA on Friday reported a 22.7 percent rise in net profit year-on-year for the third quarter, saying that strong results at its Mexico unit fueled the increase, Reuters reported. The bank's net profit for the third quarter amounted to 1.4 billion euros (\$1.63 billion), higher than analysts' expectation for a net profit of 1.06 billion euros. BBVA also said that its board had agreed to a share buyback amounting to as much as 3.5 billion euros, which the bank said it expects to execute in 12 months. BBVA's shares rose nearly 6 percent on the news of the buyback plan. Also on Friday, Spanish bank Santander said it had increased by 10.4 percent an offer to buy the stake it doesn't already own in its Mexico unit.

THE DIALOGUE CONTINUES

Will Evergrande's Crisis Spell Trouble for Latin America?

Q A liquidity crisis at massive Chinese property developer Evergrande, which is saddled with a staggering \$300 billion debt, and the Chinese government's reluctance to bail out the company, sent shockwaves through international financial markets in September and sparked fears of contagion. The crisis has led to concern over potential repercussions in Latin American countries, many of which count China as an important investor and business partner. How concerned should Latin American countries be about a possible financial crisis in China, and how could such a crisis threaten investment in Latin America? To what extent are Latin American countries relying too much on China to fuel their economic recoveries from the Covid-19 pandemic? How has China's lending and foreign direct investment in Latin America evolved in recent years? Do recent trade talks between China and Ecuador and Uruguay offer a good model for expanding commercial ties and trade flows?

A Gonzalo Paz, adjunct professor at Georgetown University's Center for Latin American Studies: "It has not happened yet, but it has already been dubbed the Chinese '2008 Lehman Brothers Crisis.' While less attention has been devoted to the spectacular announcement of China's applying for membership in the former Trans-Pacific Partnership, or TPP, agreement, the possibility of a total or partial default of Evergrande has worried many political and economic decision makers around the world. Given the international consensus about China's lack of transparency, the amount of certainty in the forecasts about a default is surprising. The fear in the air is a bad omen as we know that herd behavior might in fact trigger or aggravate a crisis, in the absence of decisive govern-

ment action. China's central bank has said the situation is controllable, and the IMF has manifested that China has the tools to manage the situation. Nevertheless, the speculation about a potential default's impact on Latin America has also skyrocketed. In fact, we still do not know whether there will be a total or partial default, or whether the Chinese government will somehow rescue the company at the last minute. Although it is difficult to imagine a scenario of a passive Chinese government, even in the worst-case scenario of a massive default, it is also difficult to estimate the spilling effects in the Chinese economy. Causal chains have not been duly and thoroughly examined, and of course, it is a complex task. Studying some direct mechanisms, we need to consider Latin American exports of raw materials needed in construction, such as copper and iron. In this case, the main exporters are Chile, Peru and Brazil. Equal or more serious than fewer exports are lower prices of these minerals. Less growth in the Chinese economy probably means less foreign investments. More seriously, less growth in China may translate into growing Chinese exports at lower or even dumping prices. Indirectly, if a default affects international financial markets in a sustainable way, it might complicate access to international credit needed to overcome the worst economic effects of the Covid-19 pandemic."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Oct. 20 issue of the Advisor. Additionally, this commentary was submitted to the Advisor before Evergrande made two overdue interest payments in the second half of October.

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for a country immersed in a humanitarian emergency. It's important to acknowledge that reports about Saab's activities began as early as 2015, and there are pending criminal investigations against him in several countries. The journalists who originally broke the news of Saab's crimes have been living in exile since 2018, demonstrating how far the Maduro government is willing to go to defend its interests. For Maduro to halt negotiations, alleging an unjust process for Saab is a disservice to those living through a devastating humanitarian crisis that has forced Venezuelans to flee in numbers never before seen in the region. By leaving the Mexico talks, Maduro shows that his main priority is to remain in power and avoid accountability—not to address the country's humanitarian crisis. With that being said, Maduro has not permanently pulled out of the negotiations, and he may simply be delaying the process in hopes that he will be able to outperform opposition parties in the Nov. 21 regional elections, or to leverage better incentives to return to the table. Whatever his strategy may be, it is critical that Maduro rejoin the negotiation process, which presents an important opportunity to address urgent aspects of a humanitarian crisis that continues to affect the daily lives of millions of Venezuelans."

A **Moises Rendon, senior associate of the Americas Program and founder of the Future of Venezuela Initiative at the Center for Strategic and International Studies:** "Alex Saab's trial in the United States helps illustrate how widespread corruption has become in Venezuela, while the United States sends a strong message that rule of law and justice will prevail. Corruption, which could account for as much as 10 percent of Venezuela's GDP from recent years' estimates, is rampant in Maduro government contracts and social programs. Saab, for example, was instrumental in creating the Local Committee for Supply and Production (Comité Local de Abastecimiento y Producción, or CLAP), a

politically driven subsidized food distribution program. Through a series of shell companies, Saab and others purchased poor-quality food items in bulk from countries such as Mexico, Colombia and Turkey and allegedly sold them to the Venezuelan government at inflated prices. Saab is accused of replicating this scheme in other industries, including oil and gold. His arrest leaves

“ Alex Saab's trial in the United States helps illustrate how widespread corruption has become in Venezuela.”

— Moises Rendon

Maduro without his family's main financial operator and without important international criminal networks and gives U.S. authorities the opportunity to learn detailed information about the illicit activities that sustain Maduro's regime. This could help them better understand and improve efforts at sanctions. However, Saab's trial in the United States could complicate efforts to convince Maduro and his inner circle to leave power, as negotiation may seem futile to an official who is facing multiple charges and who, under the most lenient of circumstances, would still face a lengthy prison sentence. This helps explain Maduro's response of leaving the negotiations with the opposition in Mexico. In addition, Saab's exposure to Maduro's criminal networks could make the international community's efforts to engage in a serious negotiation more taxing."

[Editor's note: The Advisor invited Venezuela's communication and information ministry to submit a commentary for this issue but did not receive a response.]

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

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Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gene.kuleta@thedialogue.org

Anastasia Chacón González

Reporter & Associate Editor
achacon@thedialogue.org

Leticia Chacón

Reporter
lchacon@thedialogue.org



Michael Shifter, President

Rebecca Bill Chavez, Nonresident Senior Fellow

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Subscription inquiries are welcomed at ebrand@thedialogue.org

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