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FEATURED Q&A

Should Cities in the Region Prioritize Electric Transit?



Putting more electric buses and taxis into service in Latin America would bring major savings on fuel costs and big benefits for the environment, according to a United Nations-backed study. An electric bus in Santiago is pictured above. // File Photo: Chilean Government.

Q Converting the current fleet of buses and taxis operating in 22 Latin American cities into electric vehicles today would save \$64 billion in fuel costs by 2030, according to a recently released U.N.-backed study. The conversion would avoid the emission of 300 million tons of carbon dioxide equivalent and save 36,500 people from premature death, according to the report, which was conducted by U.N. Environment and the International Automobile Federation with support from Spain and the European Union. Should Latin American cities make a stronger push to convert to electric mobility in lieu of fuel-based transit? What are the advantages and disadvantages of such a move? What unforeseen consequences might surface? How important is transit in the overall priority list as planners consider numerous "smart city" investment proposals aimed at improving the quality of life of local citizens?

A John Gartner, director in the energy practice of Navigant: "All densely populated cities where air quality is harming the health of residents will benefit from electrifying the transportation system. Replacing diesel buses with electric ones will remove harmful pollutants and also reduce noise pollution. Electric mobility programs, such as car-sharing programs and ride-hailing programs, can beneficially reduce vehicle ownership and serve the 'last mile' requirements that connect other modes of transportation. This can reduce the amount of parking lots required and free up property in the city core. Electric vehicles that have high daily utilization are less expensive

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TODAY'S NEWS

ECONOMIC

Venezuela's Maduro Orders Devaluation, Wage Hike

Venezuelan President Nicolás Maduro announced a 96 percent devaluation of the country's already nearly worthless bolívar currency and a more than 3,000 percent increase in the minimum wage.

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BUSINESS

Brazil's Stone Planning IPO

Card processor Stone Pagamentos has reportedly hired several banks to manage the offering.

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ECONOMIC

Voters Should Decide on New Airport: López Obrador

Voters should decide through a national survey or a referendum whether to continue with the construction of a new airport for Mexico City, said Mexican President-elect Andrés Manuel López Obrador.

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López Obrador // File Photo: López Obrador Campaign.

ECONOMIC NEWS

Maduro Announces Devaluation, 3,000% Minimum Wage Hike

Venezuelan President Nicolás Maduro on Friday announced a 96 percent devaluation of the country's bolívar currency, which is already nearly worthless, and a more than 3,000 percent increase in the minimum wage, The Washington Post reported. In his evening address on state television, Maduro said the bolívar, which today is scheduled to shed three zeros, would also be backed by the "petro," Venezuela's virtual currency. The digital currency, which some analysts have called a sham, is linked to oil reserves. The measures come as the Andean nation's rate of inflation is expected to hit one million percent this year, according to the International Monetary Fund. "I want the country to recover and I have the formula. Trust me," Maduro said, Reuters reported. Maduro added that his government would overhaul the country's exchange rates and also peg salaries, prices and pensions to the petro digital currency, which the government launched in February. In March, U.S. President Donald Trump signed an order barring U.S.-based financial firms from conducting transactions with the petro, and U.S. officials have called it a scam.

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to maintain while significantly reducing the cost of fuel. An unintended consequence of increasing mobility services could be an increase in urban congestion, with more cars on the road. If the cost of mobility services is lower than public transit and it decreases transit ridership, revenues for those services could shrink. Investments in electric transit not only benefit the riders and can reduce costs for the transit operator, but they also benefit all citizens by reducing particulate matter emissions and make cities quieter. This investment can have the greatest impact on the largest number of citizens when

Voters Should Decide on Mexico City Airport: AMLO

Mexican President-elect Andrés Manuel López Obrador said Friday he would allow voters to decide whether to continue to construction of Mexico City's new airport, either through a nationwide survey or a referendum, El Universal reported. "So we don't make the wrong decision, the best thing is to ask," said López Obrador, who is widely known as AMLO, The Wall Street Journal reported. He added, "[The Mexican people] are an intelligent, wise people, and we're going with the democratic method." The airport is about one-third complete, and some \$5.2 billion has been spent on its construction. López Obrador had criticized the project during his campaign, and has proposed the "cheaper" option of keeping the existing Benito Juárez Airport and expanding a separate nearby military airport. U.S. aviation experts have said that alternative may be risky, since the two airports are just 25 miles apart, raising the possibility of collisions. Others have criticized putting such a technical decision to a vote. "The idea is pure populism," said Alejandro Schtulmann, founder of consulting agency Empra, The Wall Street Journal reported. [See related [Q&A](#) in the May 4 issue of the Advisor.]

compared to other smart city investments and should be prioritized accordingly."



Jaana Remes, economist and partner at McKinsey Global Institute:

"Gridlock and time spent commuting are among the biggest drags on the quality of life in Latin America's major capitals. They also create real economic costs as excess fuel is burned, emissions and pollution grow worse, and time that could be spent on more productive uses is lost. As cities around the world and across Latin America push to

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NEWS BRIEFS

More Argentines Likely Living in Poverty Now Than Last Year: Macri

More Argentines are likely to be living below the poverty line now as compared to last year, President Mauricio Macri said Friday, Reuters reported. The South American country's economy is heading toward a recession following a currency crisis and a drought that crimped agricultural production. "This devaluation brought a rebound in inflation, and inflation is the largest driver of poverty, and regrettably, we are going to lose some of the gains we have made in poverty reduction," Macri told reporters in Jujuy province.

Chilean Police Arrest Two in Connection With Bomb Threats to Planes

Chilean police arrested two men in connection to several bomb threats to nine commercial airplanes in Chile, Peru and Argentina on Thursday, Reuters reported. One unnamed Chilean man was arrested Friday on charges of making threats of explosives, with his cellphone and other items seized as evidence. A second Chilean man was detained at Santiago Airport on Thursday, after "joking" about a bomb to a friend as they went through security, Reuters reported. He appeared in court on the charge of making a false bomb threat.

Mexican Marines Discover 50 Tons of Meth in Underground Drug Lab

Mexican marines on Friday said they had found 50 tons of methamphetamines in an underground drug lab in the mountains outside the capital of Sinaloa State in northwestern Mexico, Reuters reported. The drugs were destroyed on site. The Sinaloa drug cartel, one of the most powerful in Mexico, was run by Joaquín "El Chapo" Guzmán, who is to be put on trial in a U.S. court later this year.

POLITICAL NEWS

Colombian Anti-Drug Agents Begin Testing Drones

Drug enforcement agents in Colombia have started testing drones as an alternative to airplanes to identify and defoliate illicit crops, The Wall Street Journal reported Sunday. Ten drones, each weighing 50 pounds when loaded with herbicide, have been deployed to destroy hundreds of acres of coca in recent weeks across southwest Nariño province, according to the report. Newly sworn-in President Iván Duque has said that he would reverse his predecessor's decision to end aerial defoliation operations, noting a preference for drones over planes to drop the herbicide, which could be more accurate and mitigate damage to legal crops growing adjacent to coca fields. Former President Juan Manuel Santos halted the use of 14 aircraft in 2015 amid lawsuits and international pressure over health concerns. With cocaine production rising and much of the product ending up in the United States, however, Trump administration officials have been pushing for a renewal of aerial spraying. [Editor's note: See related [Q&A](#) in the Jan. 4 issue of the Advisor.]

BUSINESS NEWS

Brazil's Stone Pagamentos Plans Initial Public Offering

Brazilian credit card processor Stone Pagamentos is planning for an initial public offering, Reuters reported Friday, citing three unnamed sources with knowledge of the matter. Stone has hired several banks, including Goldman Sachs, JPMorgan Chase, Citigroup, Morgan Stanley, Credit Suisse and Itaú Unibanco to manage the anticipated IPO, which is scheduled to take place shortly after the October presidential election in Brazil, the sources

THE DIALOGUE CONTINUES

What Will Result From Venezuela's Drone Explosions?

Q Venezuelan President Nicolás Maduro has accused leading opposition lawmakers, Colombia's government and financial backers in the United States of having a role in what Venezuela claims was an attempt to assassinate Maduro and military leaders with armed drones at a public event on Aug. 4. Authorities have made some arrests in the case, but it remains to be proven publicly who orchestrated the attack. Has the attempt on Maduro's life strengthened his support base, or did it embolden the opposition? What are the biggest takeaways from the drone bomb incident?

A Diego Arria, member of the Advisor board, director of the Columbus Group in New York and former permanent representative of Venezuela to the United Nations: "Hugo Chávez denounced more than 20 attempts to kill him, but never presented evidence. Maduro is following the same practice, accusing the opposition of more than 10 false attempts on his life. He recently provided a very flimsy report of a presumed weaponized drone attack, and in just a couple of hours he accused two opposition congressmen, Julio Borges and Juan Requesens, together with former Colombian President Juan Manuel Santos and the United States government of being behind the presumed attack. Congressman Requesens

said. The company expects the Brazilian stock market to bounce back if a somewhat investor-friendly candidate wins the race. One source said Stone was considering a dual listing in New York and Brazil's B3 stock exchange. The IPO will be primary, meaning Stone will issue new shares and receive all proceeds, which will then be used to invest in expanding the company, Reuters reported. One source said existing shareholders are also looking to

was presented on television, clearly showing signs of having been tortured in a way that was similar to how the North Korean regime displays political prisoners. The incident reinforces the lack of credibility of Maduro's

“The incident reinforces the lack of credibility of Maduro's regime and its disrespect for human rights...”

— Diego Arria

regime and its disrespect for human rights in the midst of the monumental and increasing Venezuelan tragedy. The only and real crime committed in Venezuela is the destruction of its economy, of its health facilities and the number of its people dying for a lack of basic medicines and hunger in the wealthiest country of the region, which has been ransacked by the most corrupt regime in our history.”

EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in the Aug. 14 issue of the Advisor.

sell their shares. Cielo SA, the country's largest credit and debit card process, has been facing increasing competition from newcomers such as Stone and PagSeguro, another Brazilian card processing company which went public earlier this year. Cielo's second quarter profits missed analysts' estimates by nearly 13 percent, registering a net income of 8.17 million reais, or \$219.33 million, Valor Econômico reported.

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become 'smarter' in their use of technology, their efforts generally begin with a focus on urban mobility. One of the most promising smart solutions involves embedding sensors in public transit infrastructure to signal when preventive maintenance is needed. Applications such as intelligent syncing of traffic signals, real-time navigation and smart parking can improve the flow of cars

“Given that most Latin American cities are cash-strapped and electricity is relatively expensive, these are real constraints to adoption.”

— Jaana Remes

and buses alike. These types of smart solutions become even more effective when combined with complementary policies and investments in hard infrastructure. Shifting to electric vehicles (and someday to autonomous vehicles) is a natural evolutionary step toward cleaner, less polluting mobility options with better integration into citywide digital systems. Although they are easier to maintain than diesel buses, electric vehicles have a daunting cost differential at the time of purchase. They demand heavy capital investment—not only in the vehicles themselves but also in charging infrastructure. Given that most Latin American cities are cash-strapped and electricity is relatively expensive, these are real constraints to adoption. But the costs will decline over time as more cities worldwide make the leap to greener electric transit fleets, thereby increasing demand. Already, battery prices are falling. Moving in a new direction has its costs, but cities cannot afford to stay on their current trajectory, in which gridlock is grinding them to a halt.”

A **Praveen Subramani, principal product manager at Turo:** “Latin American cities have a unique opportunity to embrace electric mobility and leapfrog fuel-based vehicles as the dominant mode of passenger transport. As private vehicle ownership increases with rising household incomes, the car ownership growth rates in Latin America are among the highest in the Western Hemisphere. Electric mobility offers a sustainable solution to the emissions crises that plague Latin American cities such as Mexico City and Santiago de Chile. In particular, shared electric vehicles provide a unique opportunity to reduce air contamination and urban congestion, especially when connected to mass transit modes such as subways, bus rapid transit and light rail. Electric vehicles are well-suited for urban environments, as their ranges accommodate the vast majority of urban trips, and they create zero on-site emissions. Depending on the electricity generation source that EVs are charged with, they reduce overall CO2 emissions by 40 to 80 percent compared to gas-fueled vehicles. As many Latin American families will be purchasing their first cars in the next five to 10 years, there is a unique opportunity to drive adoption of electric mobility, both private and shared vehicles. The biggest challenges to adoption of electric mobility include the higher prices of EVs compared to their fuel-based counterparts and the lack of accessible charging infrastructure. However, nations in Asia and Europe have demonstrated that adoption of electric mobility can be catalyzed with the right assortment of policy incentives, such as rebate programs for EVs, reduced congestion pricing within dense urban areas for EVs, investments in public charging infrastructure and access to high-occupancy vehicle lanes.”

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