

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

CEO,
DevryBV Sustainable Strategies

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes

Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados (McDonald's)

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

Senior VP, Corporate Affairs,
Royal Caribbean Group

Jon E. Huenemann

Former Corporate and
Government Senior Executive

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Senior Director, Americas
Int'l 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

Beatrice Rangel

Director,
AMLA Consulting LLC

Jaana Remes

Partner,
McKinsey Global Institute

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados

Shelly Shetty

Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

What Do Venezuela & Iran Have to Gain From Each Other?



Relations between Venezuela and Iran have recently been getting closer. Venezuelan President Nicolás Maduro is pictured meeting with Iranian President Hassan Rouhani in Baku, Azerbaijan in October 2019. // File Photo: Government of Iran.

Q Iran has sent weapons and paramilitary operatives to Venezuela to help President Nicolás Maduro remain in power, Adm. Craig Faller, the head of the U.S. Southern Command, told reporters Dec. 2. The presence of military personnel from the elite Quds Force of Iran's Islamic Revolutionary Guard Corps, is particularly "alarming and concerning," said Faller. To what extent are Venezuela and Iran working together, and what does each country have to gain from the partnership? How important is Iran's support to Maduro remaining in power? What does the presence of Iranian personnel in Venezuela mean for other Latin American countries and the United States?

A Vanessa Neumann, former Juan Guaidó-appointed Venezuelan ambassador to the United Kingdom: "President Hugo Chávez and Nicolás Maduro (as Chávez's foreign minister) started formalizing Venezuela's alliance with Iran through several accords signed in 2007. The relationship is fulfilling for both sides. Iran and a Chavista Venezuela are jointly aligned to push back against the regional influence of 'The Empire,' as they like to call the United States. They use each other to evade U.S. sanctions. Iran has used joint ventures in industry and banking, as well as PDVSA, to launder money—a service for which the Chavistas charge. PDVSA essentially ceased being an oil producer, as it is simpler and more profitable to be a financial washing machine. It suits Iran perfectly that Venezuela now needs Iran's fuel and supermarkets, replicating its patronage model in Lebanon, Syria and Iraq. The Iranians and their proxy Hezbollah are very clear that they are playing

Continued on page 3

TODAY'S NEWS

POLITICAL

Argentina to Allow Elective Abortion

In a landmark vote, Argentina's Senate approved a measure to allow abortion up to the 14th week of pregnancy. The lower house previously approved the measure, and President Alberto Fernández supports the legalization.

Page 2

ECONOMIC

Venezuela to Shift to a Fully Digital Economy: Maduro

President Nicolás Maduro announced that Venezuela will move toward a fully digital economy as hyperinflation has led to the virtual disappearance of local bolívar currency notes. The use of the U.S. dollar has also increased in Venezuela.

Page 2

POLITICAL

Pierluisi Takes Office as Puerto Rico's Governor

Pedro Pierluisi took office Saturday as governor of Puerto Rico, vowing to help make the U.S. territory a state and also fight poverty, corruption and Covid-19.

Page 2



Pierluisi // File Photo: U.S. Congress.

POLITICAL NEWS

Pierluisi Takes Office as Puerto Rico's Governor

Pedro Pierluisi was sworn in Saturday as governor of Puerto Rico, vowing to help make the U.S. territory become a state and also combat poverty, corruption and Covid-19, the Associated Press reported. A Democrat who previously was Puerto Rico's representative in the U.S. Congress, Pierluisi also said he would prioritize education, bring the territory's government out of bankruptcy and improve the island's economy. "I have listened to our people and acknowl-

“I need everyone to battle our common enemies.”

— Pedro Pierluisi

edged the needs for better governance,” Pierluisi said in his bilingual inaugural speech. “I need everyone to battle our common enemies.” Just after being sworn in, Pierluisi declared a “fiscal emergency,” which will require the commonwealth's agencies to reduce costs by taking actions that include limiting travel and reducing third-party contracting, Bloomberg News reported. As governor, Pierluisi faces strong political headwinds. He and his New Progressive Party must deal with a combative and politically divided legislature. He won election with just 33 percent of the vote, a historically low percentage. Among the first tests facing Pierluisi's administration will be a new proposal that the federal board overseeing the territory's finances will file in February, Bloomberg News reported. The proposal will be on restructuring approximately \$18 billion of Puerto Rico's debt and will outline plans to start repaying the island's creditors for the first time since 2016, Bloomberg News reported. “We are going to have to work hard to leave the government's bankruptcy behind and attract investment,” said Pierluisi. [Editor's note: See related [Q&A](#) in the Oct. 29 issue of the Advisor.]

Argentine Congress Legalizes Abortion in Landmark Vote

Argentina's Senate last week passed legislation to legalize elective abortion, which will make the South American nation the largest in Latin America to allow the procedure, The Wall Street Journal reported. After 12 hours of debate, the Senate approved the legalization on Wednesday in a vote of 38-29. The lower house of Congress previously passed the measure, and President Alberto Fernández supports the legalization. The move allows elective abortion up to the 14th week of pregnancy. Current law allows abortion in Argentina only in cases in which pregnancy results from rape and when the health of the mother is at risk.

ECONOMIC NEWS

Venezuela to Shift to a Fully Digital Economy: Maduro

Venezuela will shift toward a fully digital economy as hyperinflation has led to the virtual disappearance of local bolívar currency notes and dollarization expands within the country's financial system, President Nicolás Maduro said Friday in a televised interview with government-sponsored television network Telesur. Bloomberg News reported. Maduro said that Venezuelans have turned to the U.S. dollar as an escape amid U.S. sanctions and dwindling oil revenues, saying 18.6 percent of all commercial transactions in Venezuela are in dollars, while 77.3 percent are carried out in bolívares with debit cards, and just 3.4 percent are paid with bolívar notes. “They have a war against our physical currency,” Maduro said. “We are moving this year to a more profound digital economy, in expansion. I've set the goal of an economy that's 100 percent digital,” Maduro added. He also said that physical money will eventually disappear. The announcement

NEWS BRIEFS

Mexico City's Ban on Single-Use Plastics Takes Effect

A ban on single-use plastic containers, forks, straws and other items took effect in Mexico City on Jan. 1 after more than a year of preparation, the Associated Press reported. City legislators in 2019 passed a ban on plastic bags, utensils and other disposable plastic items. Another ban on plastic bags had already taken effect last year. However, there is skepticism about both the compliance and enforcement of the laws, according to the report. Without having vendors penalized with fines for noncompliance, the change will likely be slow, the wire service reported.

Mexican Glassmaker Vitro Merges Several Units

Mexican glassmaker Vitro announced Friday that it had merged several of its units, including Vitro Automotriz, Distribuidora Alcali, Vidriera Los Reyes and VAU, with the parent company, Reuters reported. The Monterrey-based company also said the merger of an additional unit, Vidriera Monterrey, did not occur because it did not meet certain conditions. The decision was first announced in September.

Denmark's Vestas to Supply Turbines for Wind Farm Project in Colombia

Danish turbine maker Vestas Wind Systems will be supplying a wind farm project in Colombia, Renewables Now reported today. The name of the customer and other project details were not made public in Vestas' press release, though the company said it included the supply and installation of 90 units of 5.6-megawatt turbines for a total of 504 megawatts. The deal also includes a 15-year service agreement. The wind project in Colombia will become the first in Latin America to use turbines from the EnVentus platform, Vestas said.

comes as the Andean nation's currency has lost 99 percent of its value during three years of hyperinflation, with inflation up 5,790 percent in the last 12 months, according to a Bloomberg News index. The country's oil exports have also sunk, falling by 376,500 barrels per day (bpd) last year, Reuters reported, citing Refinitiv Eikon data and internal documents from state oil firm PDVSA. Amid U.S. sanctions, Venezuelan exports of crude and refined products fell 37.5 percent in 2020 to 626,534 bpd, the lowest level in nearly 80 years.

BUSINESS NEWS

U.S. Bans Business With Cuban Commercial Bank

The U.S. State Department on Friday placed Cuban commercial bank Banco Financiero Internacional, or BFI, on its Cuba Restricted List, a move that bans U.S. companies from directly doing business with it. In a statement, U.S. Secretary of State Mike Pompeo called BFI a "Cuban military-controlled commercial bank that benefits directly from financial transactions at the expense of the Cuban people." Pompeo added that Cuba's military uses the bank's "key role" in foreign exchange to give preferential access to military companies, as well as "secure advantageous exchange rates, and finance government-controlled projects that enrich the regime." Pompeo's statement added that profits that the bank earns through its operations "disproportionately benefit the Cuban military rather than independent Cuban entrepreneurs, furthering repression of the Cuban people and funding Cuba's interference in Venezuela." The statement said adding BFI to the Cuba Restricted List will help prevent Cuba's military from "controlling and benefiting from financial transactions that should instead benefit the Cuban people." Since taking office in 2017, U.S. President Donald Trump's administration has tightened sanctions on Cuba's government. [Editor's note: See related [Q&A](#) in the Oct. 1 issue of the Advisor.]

FEATURED Q&A / Continued from page 1

a long game. In Lebanon in May 2012, one of their advocates told me, 'If we lose Chávez, we will be sure that whoever succeeds him will favor us.' This has indeed been the case with Maduro. Given the trajectory of the relationship, we can safely project that the Iranian operatives are in Venezuela for espionage, social control and to set up the credible threat of terrorism against U.S. and allied assets. Iran wants to strengthen its geopolitical hand in America's neighborhood, countering American influence and operations in the Middle East. Unfortunately, Latin America's high levels of corruption will always provide an entry point for nefarious foreign influence, turning rulers against Western liberal values and ultimately against their own people. The alliance with Iran is one of the factors in the country's collapse, now written on the bodies of 32 million Venezuelans. No one must ever forget that."

A Gustavo Roosen, president of IESA in Caracas: "Venezuela and Iran are founding members of OPEC, and their relationship goes back many decades. During the governments of Hugo Chávez and Mahmoud Ahmadinejad, an anti-American sentiment prevailed and led them to sign more than 300 investment agreements and other treaties. The execution of all the projects covered by this cooperation policy was a complete failure. The most visible of them was an automotive assembly factory by the name of VENE-IRAN. In addition, there were cement plants and tractor factories with negative results. Hassan Rouhani's policy is different. He has focused more on extracting money from Venezuela in exchange for gasoline sales and repairing oil refining plants that have collapsed for lack of maintenance and mismanagement. The above endeavors were aimed at supporting the troubled authoritarian Maduro regime. There is evidence that an Iranian plane loaded with \$500 million flew from Venezuela to Iran, supposedly to pay for parts and services for the refining

industry. The relationship between the two countries is very opaque. Thus, it is very likely that Iran managed to infiltrate Venezuela with soldiers and weapons, to which Adm. Craig Faller referred. The most troubling situation is the growing presence of Hezbollah in Venezuela, whose members, disguised with Venezuelan identity papers, are creating

“The relationship between the two countries is very opaque.”

— Gustavo Roosen

an unstable environment. Dissident FARC and Hezbollah members are engaged in drugs and precious metal trafficking, actively generating an insecure environment that also affects Colombia. Venezuela is creating social turmoil in Latin America with its presence in the São Paulo Forum. Iran, as an observer, is taking advantage for its own ideological benefit."

A Edmundo González, former Venezuelan ambassador to Algeria and Argentina: "Although both countries have a long history of diplomatic relations as founders of OPEC, it was not until Chávez that a strong political and strategic alliance was developed. Suffice it to say that this alliance is opposed to our traditional foreign policy as a peaceful and democratic country. This trend has consolidated under Maduro's regime in terms of the number of official visits, agreements signed (around 300, according to some sources) and cooperation settlements (car plants and cement factories, among others), that makes this partnership solid but not as strong as Chávez envisaged. Nonetheless, as sanctions against Maduro's regime increased, Iran has become a bulwark to cope with the effects of these measures, particularly in terms of gasoline supply and foodstuffs through a recently inaugurated

Continued on page 4

FEATURED Q&A / Continued from page 3

supermarket, as a means not only to circumvent U.S. sanctions but also to consolidate Maduro's grip on power. Moreover, as external pressures increase over Maduro's discredited regime and his government is increasingly isolated, the alliance between Iran and Venezuela has moved from the economic sphere toward a military and strategic one that consequently represents a threat to the United States. Whether it is only a rhetorical exercise based on anti-imperialist sentiment or a move to stir up controversy, Maduro recently announced the creation of a 'military council' with the help of Iran. This comes at a time of growing rumors about Iranian military presence on Venezuelan soil, which is another challenge. In any case, the current proactive alliance between Maduro and the Iranian regime serves well the geopolitical purposes of both parties. Maduro has a new protector that allows him to maintain power, and Iran uses Maduro as a proxy to create problems for the United States, thus allowing the ayatollahs to establish a foothold in the 'backyard' of the 'Great Satan,' repeating what the Soviet Union did with Cuba during the Cold War."

A **Stephen Johnson, former U.S. deputy assistant secretary of defense for Western Hemisphere affairs (2007-2009):**

"This is really the story of three large powers (Russia, China and Iran) propping up Chavismo. Russian and Chinese efforts have been more constant, while Iran's have been intermittent. Iran and Venezuela were founding members of OPEC in 1960, but relations waned after Iran's 1979 revolution. They picked up again after President Hugo Chávez expressed solidarity with the Islamic Republic in 2001 and really took off after Mahmoud Ahmadinejad won Iran's presidency in 2005. Ahmadinejad saw Chávez as a 'big brother' who could help expand

Iran's presence in the West—which he did in brokering partnerships with Bolivia, Ecuador and Nicaragua. Moreover, the two inked some 200-300 agreements of their own in petroleum, mining, manufacturing and defense. Yet by most accounts, few projects realized their potential, mostly because of

“Iran's current leadership may have sensed an opportunity to return, this time better positioned to dictate terms.”

— Stephen Johnson

Chavista incompetence. Thus, when Chávez died and Ahmadinejad left power in 2013, Iran's taste for cooperation faded. Seven years lapsed. Now, with Venezuela falling apart—no food, little cash and a crumbling petroleum industry—Iran's current leadership may have sensed an opportunity to return, this time better positioned to dictate terms. Joining China, which had the finance portfolio, and Russia with defense, Iran's petroleum engineers could help restore and profit from the potentially lucrative oil sector. No doubt the prospect of establishing a forward military operating base in Venezuela would be tempting. Motivated by what they may see as Western meddling in their neighborhoods, all three extra-hemispheric powers are using Venezuela to threaten American democracies and challenge U.S. influence in a game of geostrategic chess. So far, sanctions focused mainly on Venezuela have yet to affect them."

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 © 2021

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Anastasia Chacón González

Reporter & Associate Editor
achacon@thedialogue.org



Michael Shifter, President

Rebecca Bill Chavez, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Senior Advisor

Michael Camilleri, Director, Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Héctor Castro Vizcarra, Nonresident Senior Fellow

Julia Dias Leite, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Peter Hakim, President Emeritus

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Senior Fellow

Xiaoyu Pu, Nonresident Senior Fellow

Jeffrey Puryear, Senior Fellow

Mateo Samper, Nonresident Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development, External Relations & Special Projects

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@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.