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FEATURED Q&A

How Much Will the Border Reopening Boost Andean Trade?



The reopening of the Colombia-Venezuela border could lead to billions of dollars in trade, according to Colombia's commerce minister. // File Photo: Colombian Government.

Q After seven years of closed borders and strained bilateral relations, Colombia and Venezuela reopened cargo transport on the Simón Bolívar International Bridge, a major border crossing, on Sept. 26. Allowing goods such as coal and fruit to move between the two countries, the reopening could generate billions of dollars in trade over the coming years, according to Colombian Commerce Minister German Umaña. What are the economic implications of the border reopening for both Colombia and Venezuela? Which industries stand to benefit most? What are the biggest obstacles that stand in the way of increased commerce and trade between Colombia and Venezuela?

A Luis Vicente León, president of Datanalysis in Caracas: "For Venezuela, the commercial opening with Colombia represents access to competitive raw materials, inputs and finished products in terms of price and proximity, and it generates a logistical opportunity for importing goods from the rest of the world, with a reduction in freight and transportation costs. For Colombia, it represents an expansion of the country's natural market and an opportunity for complementarity in the areas of chemical and energy areas, which are very important for both countries. It also means a reactivation of the border areas and an opportunity to take business away from the mafias that control them today. Of course, the opening also presents challenges for both nations. In the case of Venezuela, which has serious infrastructure problems, economic imbalances and sanctions, the opening could be a competitive risk for its local businesspeople. However, the Venezuelan

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TODAY'S NEWS

ECONOMIC

Mexico's Economy Sec'y Clouthier Steps Down

Mexican Economy Secretary Tatiana Clouthier on Thursday announced her resignation, without giving a reason for her departure. She had been in the position since late 2020.

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POLITICAL

Brazil's Bolsonaro Eyes Debt Forgiveness Plan

Brazilian President Jair Bolsonaro, who is seeking re-election in the country's Oct. 30 presidential runoff, on Thursday announced a debt forgiveness plan and proposed a tax on dividends to finance welfare spending.

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POLITICAL

OAS Vote Shows Waning Support for Guaidó

In a vote Thursday, 19 Organization of American States member nations voted to remove Venezuelan opposition leader Juan Guaidó's envoy to the body, Gustavo Tarre.

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Tarre // File Photo: @tarrebriceno via Twitter.

POLITICAL NEWS

OAS Vote Shows Waning Support for Venezuela's Guaidó

In a sign of dwindling support for Venezuelan opposition leader Juan Guaidó, whom several countries recognize as the country's legitimate interim president, 19 members of the Organization of American States voted Thursday to remove Guaidó's envoy from the international body, saying that Guaidó is not Venezuela's head of state, the Associated Press reported. While the vote failed to reach the two-thirds majority, or 24 votes, that would have been needed to remove the envoy, Gustavo Tarre, on the agenda for the OAS General Assembly meeting being held in Lima, it was still a blow for Guaidó's supporters. Only four OAS member states—Canada, Guatemala, Paraguay and the United States—voted in support of the envoy. Brazil and Ecuador, whose governments are headed by conservative presidents, abstained from the vote, while Colombia, Honduras, Chile, Argentina and Peru, which once supported Guaidó, voted to remove the envoy, the AP reported. "Guaidó's international support has decreased substantially," Mariano de Alba, a Venezuela analyst at International Crisis Group, told the wire service. "The opposition is in dire need of a new leadership that is able to coordinate discontent within the country and build leverage so the government has an interest in negotiating with them," he added. Guaidó, who at the time was the leader of Venezuela's National Assembly, gained international recognition as Venezuela's interim president in 2019 after he challenged Maduro's re-election the

SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Monday due to the Columbus Day federal holiday in the United States, which is observed in Washington and other locations as Indigenous People's Day. The Advisor will resume publication on Tuesday.

previous year in a vote that was widely seen as fraudulent. However, support for him has fallen since then as his efforts to unseat Maduro have failed. Also on Thursday, U.S. Secretary of State Antony Blinken said that any change in U.S. sanctions targeting Venezuela would happen only if Maduro's government takes pro-democracy steps, the Voice of America reported. "On Venezuela, there is no change in our policy or on our approach," Blinken said on the sidelines of the OAS meeting in Lima where he is concluding a three-country visit to the region which also took him to Colombia and Chile, the Voice of America reported.

ECONOMIC NEWS

Mexico's Economy Secretary Resigns

Mexico's economy secretary, Tatiana Clouthier, resigned on Thursday, giving no reason for her departure, the Associated Press reported. In an emotional resignation speech, Clouthier thanked President Andrés Manuel López Obrador for showing her "there's no exhaustion, sickness or barrier that can't be overcome when it comes to public service," Reuters reported. "We insisted she stay, but she is a woman with conviction," López Obrador said in reaction to her speech. López Obrador said Clouthier's successor would be announced today. Clouthier's resignation came shortly after an energy dispute with the United States and Canada, which argue that Mexico favors its state-owned electricity utility and discriminates against private and foreign companies. If the dispute escalates and is presented to a dispute resolution panel, Mexico risks punitive trade tariffs, Reuters reported. A string of cabinet members with ties to the business community have also previously resigned, including former chief-of-staff Alfonso Romo, and Treasury Secretary Carlos Urzúa, pointing to the president's difficulties in maintaining ties with the business community. Clouthier is a former congresswoman and was a member of the opposition conservative Nation Action Party (PAN). She left the party in 2005, and in 2018

NEWS BRIEFS

U.N. Human Rights Officials Express Concern Over Ecuador Prison Riots

United Nations human rights officials expressed concern Thursday over the conditions at Ecuadorean prisons, where two prison riots this week left at least 29 people dead, Reuters reported. The violence is the result of decades of state neglect of the prison system, a delegation from the U.N. Subcommittee for the Prevention of Torture said in statement. On Wednesday, at least 13 inmates were killed in a riot at the Litoral prison, El Universo reported. On Monday, 16 were killed in a riot at the Latacunga prison in central Ecuador.

Analysts Expect Inflation to Hit 100.3 Percent This Year in Argentina

Argentina's annual inflation may hit 100.3 percent this year, analysts said in a central bank survey published Thursday, Reuters reported. In the Survey of Market Expectations, analysts raised their expectation for inflation by five percentage points from their previous estimates. In the survey, analysts said they expected, on average, a 90.5 percent inflation rate next year in Argentina, above their previous estimate of 84.1 percent.

Petrobras Reportedly Taps Colnago for Position on Executive Board

Brazilian state oil company Petrobras tapped Brazilian Treasury official Esteves Colnago for a position on its executive board, two sources told Reuters on Thursday. Colnago had previously served as a special advisor at Brazil's Economy Ministry. Petrobras is undergoing a shakeup under its new chief executive, Caio Mário Paes de Andrade, who assumed the position in June after President Jair Bolsonaro's fired his two predecessors amid a dispute over rising fuel prices.

became López Obrador's campaign manager in his presidential run.

Brazil's Bolsonaro Eyes Debt Pardon, Dividend Tax Plan

Brazilian President Jair Bolsonaro, who is seeking re-election in the country's presidential runoff election on Oct. 30, on Thursday proposed a debt pardon for some borrowers and a tax on dividends to finance welfare spending, Reuters reported. Bolsonaro said that he and the speaker of the lower house of Brazil's Congress had agreed on taxing dividends of Brazilians earning more than 400,000 reais (\$77,000) per year to extend a welfare program set to expire in December. Bolsonaro added that state-run lender Caixa Econômica Federal would waive as much as 90 percent of what some four million individuals and 400,000 companies owe. Bolsonaro's rival ahead of the election, former President Luiz Inácio Lula da Silva, has also proposed a similar debt-forgiveness plan, and both candidates are looking to implement a series of changes to Brazil's budget rules. Lula has received written endorsements from various prominent economists, including Arminio Fraga and Pedro Malan, who said they expected "responsible handling of the economy" from the former president, Reuters reported. Bolsonaro's campaign is starting to focus more heavily on the economy as he narrows the gap with Lula. In the first round of Brazil's presidential election on Sunday, Lula was the top vote-getter, garnering 48 percent of the vote, but Bolsonaro outperformed expectations by taking 43 percent of the vote, a gap of just five percentage points following surveys that had shown Lula with a double-digit lead. "Lula's campaign will have to present proposals in greater detail, especially his economic plan," Gabrielle Trebat, managing director for Brazil and the Southern Cone at McLarty Associates, told the Advisor in a [Q&A](#) published Tuesday. "Though Lula is slightly better positioned to secure a win on Oct. 30, the second round will be much more competitive than anticipated," Trebat added.

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market is currently open and flooded with imported products, with zero or low tariffs, brought legally or illegally. So the opening with Colombia is a positive step, but trade magnitudes cannot be expected to return to levels close to their \$8 billion peak of the past. Trade by 2023 is likely to be close to \$1.5 billion, some of which is already happening informally. The future growth of this trade will depend on the Venezuelan economy's capacity for improvement, the possibility of overcoming the limitations imposed by international sanctions, the confidence of businesspeople in the stability of the exchange and the solution to border security problems."

A Gustavo Coronel, a founding board member of PDVSA: "Initial comments by Colombian and Venezuelan bureaucrats about the reopening of commercial trade between the two countries illustrate the disparity between good wishes and reality. Freddy Bernal, the governor of the Venezuelan state of Táchira, proudly announced that Venezuelan exports of coal and strawberries to Colombia had already started, while Colombia announced exports to Venezuela of toilet paper, carton boxes and sweets. Colombian minister German Umaña said that trade could generate billions of dollars in the coming years. I doubt that coal, strawberries and toilet paper will do the trick. If we are to believe Colombian President Petro, coal consumption in the country will be strongly discouraged for environmental reasons. The Venezuelan oil boom of 2006-2008 brought trade with Colombia to very high levels, around \$7 billion or so, while today it is closer to \$200 million and lopsided in Colombia's favor. In those years, Venezuelan exports to Colombia were mainly hydrocarbons, plastics, aluminum, iron and steel products, but today those Venezuelan industries have collapsed. Colombian exports to Venezuela were much more diversified and flourished because Venezuelan importers had abun-

dant money. Today, Venezuelan importers do not have money, and this will be a major obstacle to the resurgence of Colombian exports. The reopening symbolizes the political and ideological affinities between the two governments but will not have a significant economic impact in the short or even medium term, although it will ease the plight of Venezuelans trying to leave their country."

A Jennapher Lunde Seefeldt, assistant professor of government and international Affairs at Augustana University: "Venezuelans who have faced years of limited access to basic foodstuffs and items needed for survival stand to benefit the most from this bridge opening. Vendors from the Colombian side can officially sell much-needed goods to Venezuelans, including food, toiletries and medicines. In addition to these smaller, local vendors, larger companies and trade unions support the reopening in hopes of facilitating greater international trade. One hope for the reopening is to reduce the incentive for and occurrence of smuggling and the violence that accompanies it. With millions of Venezuelans fleeing the country through Colombia over the last several years, the official trade channels offer safety of movement. Overall, there is a greater chance for humanitarian needs to be met for Venezuelans, migrants and Colombians. Estimates range, but the resumed commercial exchanges could exceed \$4 billion in the coming year. Many previously lost jobs can now return with the opportunity for further job creation in both countries. Additionally, imports of raw materials and textiles from Colombia can potentially stimulate production in Venezuela. Prices of goods traded into Venezuela could decline if black market/smuggling activity is stymied, to the benefit of long-bereft Venezuelans. However, security challenges still remain along a very desolate and unmonitored border, with violent smugglers and paramilitary groups the

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biggest threat. While Maduro is more open to diplomatic relations with Colombia's new leftist president, strained histories could allay progress of full and open economic and diplomatic cooperation."

A **Erin McFee, UKRI Future Leaders Fellow at the Latin America and Caribbean Centre of the London School of Economics:**

"It is undoubtedly heartening when dialogue begins where it was once foreclosed. The border reopening potentiates the re-establishment of licit trade activities and the much-needed flow of consumer goods and resources between the two countries. However, significant security concerns remain, not least of which is Venezuelan President Nicolás Maduro's accommodating stance toward the ELN. Throughout the break in diplomatic relations, nonstate armed groups flourished along with the illegal economies that sustained them, such as human trafficking, narco trafficking, kidnapping and illegal gold mining. Along with this augmentation in armed group presence, violence also spiked in the form of assassinations, forced recruitment and violent displacement of residents in the border regions. The populations that benefited from the border closure for the last eight years will be those who stand to lose the most from its reopening, that is, those engaged in irregular and illicit economies and cross-border smuggling. And while it is easy to place that in the 'win' column for the two states, it is essential also to take a step back and consider who those individuals are, the likely vulnerable conditions under which they find themselves and what their alternatives are now that their sources of livelihood may be dramatically reduced. It will be worth keeping a watchful eye on the early talks between the two Ministries of Defense, the bilateral commitments emerging from those talks and the subsequent extent of implementation. Some form of community stabilization and development initiatives will

likely materialize in the wake of this hopeful shift in relations. If so, it will be critical to factor in those actors whose primary livelihood was dependent on the border closure so as not to have an advance in one aspect of security lead to a decline in another."

A **Vanessa Neumann, CEO of Asymmetrica and former Juan Guaidó-appointed Venezuelan ambassador to the United Kingdom:**

"The reopening of the Colombia-Venezuela border was not only entirely predictable under the Petro presidency, but also long overdue. As I confirmed during my time in Colombia in February and August, the border closing has severely punished the multiple centuries-old border community, which really bears little allegiance to either country's politics (but rather only to their cross-border families), while enriching the cross-border criminal gangs and corrupt border agents, who profit not only from drugs, but also from desperate women and children trying to feed themselves in a hostile environment. During my Caracas childhood, refugees, food, clothing, shoes and drug money came over the border from Colombia. Colombia is still a textile force, and Venezuela needs food that it can no longer produce for itself due to expropriation and gross mismanagement under the Chavistas. The current moment raises interesting questions. Now that Venezuela is co-host country of the ELN negotiations, will Venezuela legitimize the ELN's illegal (and brutal) gold mining inside its borders, so that ELN Inc. can export and bank the profits in comfortable legality, even perhaps get title to its seized mining terrain? It will come up. Will truth and reconciliation be a part of that now for the Venezuelan people? If Chevron does pump oil, the border opening could provide a number of routes for exports and pipelines. It will also be an asset for anyone considering development investment in Venezuela."

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