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FEATURED Q&A

What Do High-Level Defections Mean for Maduro?



Venezuelan General Alexis López Ramírez resigned this month over disagreements with President Nicolás Maduro's plan to form a "constituent assembly" to rewrite the country's Constitution. // File Photo: Venezuelan Government.

Q After more than two months of violent anti-government protests in Venezuela, in which scores of people have been killed, cracks have appeared among the elites previously loyal to President Nicolás Maduro. A top Venezuelan general, Alexis López Ramírez, quit over Maduro's plans to form a "constituent assembly" in order to rewrite the country's Constitution. Also, Venezuela's chief prosecutor, Luisa Ortega, petitioned the country's Supreme Court in an effort to halt Maduro's plan to rewrite the charter. What do the high-level defections mean for Maduro's presidency? Is a big fissure that could threaten Maduro's hold on power occurring among Venezuela's political elite? Is Maduro depending on the constitutional rewrite in order to remain in power?

A Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest: "The survival of the Maduro government depends more on the sentiment of the Venezuelan population than it does on the circle around Maduro. One high-level (and very polite) defection by López Ramírez should not be read as a crumbling of the government. There is, as of yet, no indication that the military as an institution is moving to a position of either criticism or distancing. This is despite efforts by the opposition to encourage military rebellion, and the reason for this is quite basic: it is unlikely that without any guarantee of amnesty, the military will move to effectively hand themselves, their corporate interest and the country over to a very uncertain future. The same can be said for senior figures within the ruling PSUV, even though there is ongoing factionalism

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MSCI Declines to Upgrade Argentina From Frontier Status

The decision was a blow to the government of President Mauricio Macri, who has been implementing market-friendly reforms since taking office in 2015.

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Venezuelan High Court Probing Chief Prosecutor

The country's Supreme Court said it had opened an investigation that could lead to the removal of Luisa Ortega, who has become a critic of President Nicolás Maduro.

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POLITICAL

Brazilian Police Accuse Temer of Taking Bribes

Brazil's federal police said they have found evidence that President Michel Temer received bribes in order to help businesses. The president has denied wrongdoing and has vowed not to resign.

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Temer // File Photo: Brazilian Government.

POLITICAL NEWS

Brazilian Police Accuse Temer of Taking Bribes

Brazil's federal police force said Tuesday that investigators have discovered evidence that President Michel Temer received bribes in order to help businesses, the Associated Press reported. Plea bargain testimony by Joesley Batista, the former chairman of meatpacking giant JBS, led authorities to investigate Temer. On a recently released audio recording that

A video showed a former Temer aide carrying a suitcase, purportedly containing \$150,000.

was secretly made, Temer is allegedly heard endorsing the payment of hush money to jailed former Chamber of Deputies Speaker Eduardo Cunha. Temer has denied wrongdoing and has vowed to remain in his post. In the latest developments, federal police investigators said they have sufficient evidence of bribes being paid to Temer in order to warrant a formal probe of the president on allegations of "passive corruption." Rodrigo Loures, a former aide to Temer, directly received bribes from JBS on Temer's behalf, police alleged. In a previously released video, Loures is seen carrying a suitcase, purportedly containing \$150,000 in cash from JBS. Loures later handed the suitcase and most of the money to Brazil's federal police, according to authorities. A report by the federal police says Temer has refused to answer investigators' questions about the case. "Before the silence of the highest authority of the nation and his former special aide, the evidence obtained from the information in this probe remains unchanged and indicates, with vigor, the crime of passive corruption," the federal police report said. Temer is under investigation in connection with alleged crimes of corruption, obstruction

of justice and being a member of a criminal organization, the AP reported. Last month, Brazilian Attorney General Rodrigo Janot said there were enough preliminary indications of wrongdoing to investigate the president. Temer arrived Tuesday in Russia for a two-day visit, and he is expected to hold a press conference today with President Vladimir Putin. It is one of Temer's few trips abroad since he succeeded impeached President Dilma Rousseff last year. Temer also suffered a political setback on Tuesday as a Brazilian Senate committee rejected his labor reform bill, Reuters reported. Despite the legislation's defeat in the social affairs committee on a 10-9 vote, the bill will still move to the Senate's constitutional and justice committee before heading to the full Senate for a vote, Sen. Ricardo Ferraco, who drafted the bill, told Reuters. The bill is likely to be approved by the end of the month, he said. The defeat of the legislation in committee, however, shows an erosion of congressional support for Temer amid the corruption allegations against him, the wire service reported. That loss of support could make it more difficult for Temer to push through other reforms needed to invigorate the economy. "The labor reform can still be approved, but this defeat shows the government will have a really hard time to approve its landmark pension reform," Juan Jensen a partner at 4E Consultoria in São Paulo, told Reuters.

Venezuela's Supreme Court Opens Probe of Chief Prosecutor

Venezuela's Supreme Court announced Tuesday that it had opened an investigation that could lead to the removal from office of the country's chief prosecutor, Luisa Ortega, The New York Times reported. Ortega has recently become a critic of President Nicolás Maduro and of his plan to form a "constituent assembly" to rewrite the country's Constitution, and the high court's action was widely viewed as a move to silence her, the newspaper reported. The Supreme Court said in a statement that it had begun a probe into "alleged commission of

NEWS BRIEFS

Landslide Kills 11 in Western Guatemala

A landslide in western Guatemala killed 11 people and buried houses and vehicles on Tuesday, the Associated Press reported. Part of a hillside that had been hit with heavy rains in recent hours broke loose in the municipality of San Pedro Soloma in the Huehuetenango department near the border with Mexico, burying two houses, a small bus and a truck. Ten of those killed were passengers on the bus, according to Sergio Cabañas, the executive secretary of Guatemala's national disaster agency.

Panama's Martinelli Remains in Custody as U.S. Judge Delays Ruling

A U.S. federal judge has asked for more time to rule on whether former Panamanian President Ricardo Martinelli should be released on bond, Agence France-Presse reported today. Martinelli is wanted in several cases, and is accused of graft and of using public funds to spy on political foes in Panama. Martinelli was detained on June 12 in Florida by U.S. Marshals officials. The Panamanian Supreme Court issued a warrant for his arrest in December 2015 after he failed to appear in court.

Colombia's ELN Bombs Caño-Limón Coveñas Pipeline, Halting Oil Flow

Colombia's National Liberation Army, or ELN, Marxist rebel group on Saturday bombed the country's second-largest oil pipeline, the Caño-Limón Coveñas, halting the flow of crude, sources from the Colombian military and state-run oil company Ecopetrol said, Reuters reported Tuesday. The bombing took place in the Saravena municipality of Arauca province. The 485 mile-long pipeline is operated by U.S.-based Occidental Petroleum Corp. Operations at the Caño-Limón oil field, as well as exports, were unaffected by the explosion.

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and discontent. In this context, Ortega's currently lone dissenting voice is serving very much as a release valve for disaffected former Chavistas. Her articulation of a critical but nevertheless 'internal' position is also a useful demonstration to critics of 'pluralism' within the state and government. But things can change very quickly if the turnout for the July constituent assembly elections is embarrassingly low, those elected are of poor quality or the constitutional rewrite proves to be as shambolic and pointless as many expect. Such an outcome will seriously erode Maduro's capacity to prevail over military and PSUV voices that are variously supportive of political and economic liberalization on the one hand, and a deepening of socialism on the other."

A **Gustavo Roosen, member of the Advisor board and president of IESA in Caracas:** "Since 1999, Venezuelans have ceaselessly heard that the Constitution approved that year was the 'best constitution in the world.' Rightly, 85 percent of the population rejects a new constituent assembly convened by the president, bending the Constitution in a crooked and biased way, to make it easier for its civic-military government to eliminate the National Assembly, whose qualified majority the opposition won in 2015. This will allow Maduro to autocratically exert power. His next goal is to turn Venezuela into a communist country. Undoubtedly, the new constituents will diminish the other powers of the state, as is the case of the attorney general. In the same vein, they will allow Maduro to continue reckless borrowing, which has the country suffering from hyperinflation and shortages of all kinds. It is difficult to determine whether the opposing forces will manage to stop this outrage before July 30, which is the election date of the constituent assembly. The country is on the streets, with the aftermath of deaths that this has implied, and international pressure is becoming increasingly felt. The military

civic leadership in government has hijacked power because it has nowhere to go. The next 45 days will be decisive for the rule of law and democracy in Venezuela."

A **Daniel Lansberg-Rodriguez, director for the Latin American region at Greenmantle Advisory and adjunct faculty member at the Kellogg School of Management at Northwestern University:** "Backing away from the constitutional reform (perhaps by having the courts strike it down to save face) could be a godsend for Maduro. The initiative was a mistake, and unpopular even within Chavismo's leadership—outside of a small Cuba-inspired fringe. Even so, Maduro probably won't risk abandoning it while protests remain ongoing, lest the opposition take credit. Even as the ever-paranoid regime has usually succeeded in purging potential waverers before they break openly, defections have actually remained somewhat common since as far back as the Chávez years (for example, Baduel, Miquilena). Under Maduro, this policy has become more proactive, with frequent purging of the FANB officer corps and high-profile Chávez-era holdovers like Rafael Ramírez, Giordani, Merentes and Del Pino, who have been regularly sidelined. General Ramírez's defection is therefore most noteworthy in that he was not identified beforehand. Ortega's situation is still more unusual, since she has long vacillated publicly without being removed or imprisoned. There are signs this uncharacteristic restraint may be changing, but regime caution to date may stem from her husband, Congressman Germán Ferrer, having been a key regime figure during the highly secretive period of Chávez's final illness. The Maduro government may believe he poses a greater threat than does a renegade attorney general (at least so long as Maduro controls the courts.) The ship is undoubtedly sinking, but the process is incremental. We're not yet seeing much movement toward the lifeboats (much less mass mutiny). Despite the ap-

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serious offenses in the exercise of office" by Ortega. Late Tuesday, Ortega condemned the court's move. "They are trying to snuff out any dissidence," she said. "It is a shame to say it, but I believe the state has dissolved."

ECONOMIC NEWS

MSCI Declines to Upgrade Argentina From Frontier Status

U.S. index provider MSCI declined to upgrade Argentina from the status of "frontier" to "emerging" market on Tuesday, much to the surprise of investors, The New York Times reported. The South American country's shares will remain in the smaller frontier markets index, where the country has been classified since 2009. The decision was a blow to Argentine President Mauricio Macri's government, which has been implementing wide-ranging market-friendly policies since he took office at the end of 2015. MSCI said it had decided to delay its upgrade for Argentina because while Argentina's "equity market meets most of the accessibility criteria for Emerging Markets, the irreversibility of the relatively recent changes still remains to be assessed," the Financial Times reported. Argentina must now wait another year before it can be reviewed for an upgrade to emerging-market status. The country was downgraded to frontier status in 2009 because of foreign exchange controls implemented under former President Cristina Fernández de Kirchner. On Monday, the country issued a \$2.75 billion "century bond," but a sell-off many now take place in the wake of MSCI's decision, because investors had likely purchased the bond with the expectation that the country would be upgraded to emerging-market status. Analysts predict that Argentina will suffer a setback from the decision, at least initially. "We think Argentina could be initially hit, because the expectation for the inclusion was pretty high," said Lucy Qiu, emerging market analyst at UBS Wealth Management, The New York Times reported.

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palling conditions for ordinary Venezuelans, for those closest to the regime, the lights remain on and the band is playing. For now, Chavistas at rest have a tendency to stay at rest, and most seem ready to risk ending up behind the defection curve rather than risk moving too far ahead of it.”

A **Diego Arria, member of the Advisor board and director at the Columbus Group:** “General Alexis López resigned from his top army position, declaring that the unconstitutional election of a national constituent assembly would instigate a major popular confrontation. All indicates that he is not alone, and that a gathering storm of high-level defections might be in the offing. Siding with Luisa Ortega, Venezuela’s chief prosecutor, in her firm and public defense of the Constitution, unrest in the armed forces deepens the regime crisis. Unsurprisingly, in a matter of hours, Ortega’s petition to stop Maduro’s illegal election was dismissed by the Supreme Court at the service of the regime, to the extreme that the U.S. Treasury Department recently imposed sanctions on eight of its magistrates for usurping the authority of Venezuela’s National Assembly. With 85 percent popular rejection, and the country suffering its worst humanitarian crisis in its history, Maduro will not allow any kind of open election before his term ends in 2018. The majority of the OAS members and the European Parliament have rejected his

fraudulent initiative, which is really a coup de d’etat. Nevertheless, the regime could not care less and is calling for a July 30 national election for the constituent assembly, which, if allowed, will replace the opposition-con-

“**If Maduro is not stopped, whatever is left of freedom in Venezuela will end...**”

– Diego Arria

trolled National Assembly that was elected in December 2015. Make no mistake, if Maduro is not stopped, whatever is left of freedom in Venezuela will end, and starting Aug. 1 the regime will finally be able to replicate in my country the Cuban communal socialist model that Chávez envisaged.”

Editor’s note: The commentaries above were submitted to the Advisor before President Nicolás Maduro on Tuesday replaced top Venezuelan military leaders, naming new commanders for the army, navy, air force and national guard after soldiers were seen firing at anti-government demonstrators.

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

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