

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg Pincus

Dirk Donath

Senior Partner,
Catterton Aimara

Barry Featherman

Senior Director,
International Government Affairs,
Gilead Sciences

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Director, Americas International
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

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

What Did Pence Accomplish on His Latin America Trip?



Among the stops on U.S. Vice President Mike Pence's trip to Latin America last week was Colombia, where he met with President Juan Manuel Santos. // Photo: White House.

Q U.S. Vice President Mike Pence last week visited South and Central America, where he sought to reassure the region following comments from President Donald Trump of a possible military intervention in Venezuela, as its government teeters on the brink of dictatorship. Pence also looked to strengthen diplomatic, economic and security ties with U.S. allies in the region, including Argentina and Colombia. Was Pence successful in his damage-control efforts following Trump's threats of military intervention? What does Pence's visit signal about U.S. foreign policy priorities in the region? How strong will Latin American ties with the United States be during Trump's presidency?

A Erich de la Fuente, partner and CEO for the United States at Llorente & Cuenca: "Latin America is not likely to be of strategic importance for President Trump, given the number of pressing foreign policy issues in other parts of the world. In the absence of specific initiatives, the administration's foreign policy will likely be shaped by the positions it adopts on the main three pillars that have driven U.S. foreign policy in the region since the late 1980s: free trade, security and soft power, including democracy and good governance. This administration will scrutinize trade agreements that it does not consider 'favorable' to the United States. When dissecting the numbers, the United States shows an overall trade surplus with Latin America, when Mexico is excluded. NAFTA is likely to undergo changes, but other treaties in the region will continue without many or any modifications. Not coincidentally, Pence visited countries where he was able to promote

Continued on page 3

TODAY'S NEWS

POLITICAL

Chile Grants Asylum to Venezuelan Court Appointees

Chile's government has granted asylum to five nominees who had been appointed to Venezuela's Supreme Court by the opposition-controlled National Assembly.

Page 2

BUSINESS

Former Petrobras CEO Charged in Graft Case

Aldemir Bendine, who served as CEO of Brazilian state-run oil company Petrobras and state-run Banco do Brasil was charged in the "Operation Car Wash" probe.

Page 3

ECONOMIC

Trump Issues Threat to Scrap NAFTA

At a rally in Phoenix, U.S. President Donald Trump threatened to terminate the North American Free Trade Agreement, saying it might be necessary to scrap the 1994 trade accord in order to find a better deal.

Page 3



Trump // File Photo: U.S. Government.

POLITICAL NEWS

Chile Grants Asylum to Venezuelan High Court Appointees

Chile's government has granted asylum to five judges who had been appointed to Venezuela's Supreme Court by the country's opposition-controlled National Assembly, The Wall Street Journal reported. Lawmakers had appointed the jurists to the Supreme Court, which is currently stacked with government loyalists, in a last-ditch effort to block President Nicolás Maduro from increasing his power. Maduro has threatened to arrest the judges, saying their appointment was illegal. The judges had sought asylum at the Chilean embassy in Caracas, and Chile's government said in a statement that it had requested that Venezuelan authorities grant the judges immunity from arrest so that they could leave the country. Venezuelan authorities did not immediately respond to the Chilean foreign ministry's request. The Chilean government's move was the latest sign of growing rifts between Venezuela's government and those of other Latin American nations, many of which have denounced the Maduro government's creation of a new powerful "constituent assembly," which has declared itself superior to all other branches of Venezuela's government and gave itself the power to make laws, usurping the main function of the elected National Assembly. Earlier on Tuesday, Luisa Ortega Díaz, whom the constituent assembly ousted as attorney general after she became a critic of Maduro's government, flew to Brazil to participate in a regional summit of prosecutors at the invitation of Brazil's attorney general. Most governments in the region are continuing to recognize Ortega as Venezuela's legitimate attorney general, The Wall Street Journal reported. Ortega fled Venezuela last week, first heading to Aruba and then Colombia, where President Juan Manuel Santos said she would be granted asylum if she requested it. Maduro on Tuesday said in a televised news conference that he was seeking an international arrest warrant for Ortega through Interpol.

"Brazil is taking in this fugitive of the law," said Maduro. "I hope these delinquents are turned over and face Venezuelan justice." Venezuela's new attorney general, a government loyalist, is accusing Ortega's husband, lawmaker Germán Ferrer, of participating in a \$6 million extortion scheme that operated during Ortega's tenure as attorney general, the Associated Press reported. Ortega has denied the charges, saying they amount to "political persecution." Last Friday, Ortega told a group of Latin American prosecutors that Maduro sought her ouster in order to stop a probe connecting him and his closest advisors to nearly \$100 million in bribes from Brazilian construction conglomerate Odebrecht. The company last year admitted to bribing officials in several countries in exchange for contracts. Ortega has threatened to release documents that will show the links between Venezuelan officials and Odebrecht, The Wall Street Journal reported. [Editor's note: See [Q&A](#) on the international response to Venezuela's crisis in the Aug. 18 issue of the Advisor.]

ECONOMIC NEWS

Trump Threatens to Terminate NAFTA

U.S. President Donald Trump threatened in a speech Tuesday in Phoenix to terminate the North American Free Trade Agreement, or NAFTA, Reuters reported. Negotiators from the United States, Mexico and Canada wrapped up their first round of talks on Sunday in Washington as they begin renegotiating the 1994 trade accord, with subsequent rounds of talks scheduled for September in Canada, back to the United States in October and additional rounds scheduled for later in the year. However, at Tuesday's rally in Phoenix, Trump said he may want to terminate the deal altogether. "Personally, I don't think we can make a deal. I think we'll probably end up terminating NAFTA at some point," he said, adding that scrapping the accord may lead to a new agreement. "I personally don't think you can make a deal without a termination." After Trump's remarks, Mexican Foreign Minister Luis Videgaray said

NEWS BRIEFS

U.S. Expands Travel Advisory to Mexico Tourist Areas

The U.S. government on Tuesday broadened a travel advisory for Mexico as the murder rate rises in the country, The Wall Street Journal reported. The State Department on Tuesday encouraged U.S. citizens to "exercise caution" when visiting popular tourist destinations such as Baja California and the Caribbean Coast of Mexico, including resort city Cancún. The rise in the murder rate has been tied to infighting between drug cartels. Previous travel warnings from the United States had not included these areas of Mexico. The State Department's warning is the first such advisory to target resort areas that are integral to Mexico's tourism industry.

Labor Unions Protest Macri's Policies in Buenos Aires

Argentina's main labor unions on Tuesday protested in the streets of Buenos Aires against President Mauricio Macri's economic policies and demanding more jobs, Reuters reported. Thousands of workers protested in the Plaza de Mayo against Macri's center-right economic policies, including lowering labor costs to attract investment.

Peru, Britain Launch \$36 Million Science Innovation Fund

Peru and the United Kingdom have launched the \$36 million Newton-Paulet fund, which will finance science and technology innovation in Peru over the next four years, state news agency Andina reported today. The United Kingdom has allocated \$13 million to the project, and Peru's state-run National Council of Science, Technology and Technological Innovation (Concytec), will finance the other half of the fund.

FEATURED Q&A / Continued from page 1

trade and send a signal of collaboration to key allies in the region, reiterating his now often-used message that 'America First does not mean America alone.' Security will continue to be a top priority, with a stronger emphasis on enforcement and interdiction efforts to curtail narco trafficking and criminal organizations. This was surely the focus of Pence's conversations with Colombian President Santos, along with the security dangers of a possible failed state in neighboring Venezuela. Security has also been the main topic in past meetings between this administration's cabinet members, including Latin American experts such as General John Kelly and Ambassador William Brownfield, and leaders from Central America and Mexico. Regarding Venezuela, Pence toned down President Trump's statements about not ruling out a 'military option,' reassuring Latin American allies that the United States is interested in working with them to find a 'peaceful' solution. He also reaffirmed the United States' commitment to 'restoring democracy' in the country. The latter deviates from this administration's overall disinterest of actively promoting democracy and soft-power initiatives. Exceptions such as Venezuela occur when they are hot-button issues for U.S. Republican senators—in this case Marco Rubio—from whom Trump will need legislative support to carry out his domestic agenda."

A James Jay Carafano, vice president at the Heritage Foundation: "Vice President Pence's recent trip was never about damage control, but rather was a continuation of the Trump administration's Latin America engagement. The visits to key partners and friends during the trip were a follow-up to the Central America prosperity conference. President Trump's comments in which he did not rule out a military option toward Venezuela should not be understood as a threat of invasion. Such a myopic view of the military's functions serves to only

fear monger. Clearly our partners in Latin America, who work alongside our military on a wide spectrum of issues, including humanitarian assistance, recognize that the statement was mischaracterized. There is no doubt that Latin America is a major priority for the Trump administration, and the timing of the vice president's trip underscored as much. Venezuela, the world's youngest

“ President Trump's comments in which he did not rule out a military option toward Venezuela should not be understood as a threat of invasion.”

— James Jay Carafano

dictatorship, is teetering near collapse. The historic spike in Colombia's coca cultivation that is occurring in the midst of the FARC peace accord implementation could derail Colombia's success story. Alongside these challenges, there are promising opportunities for the United States and the region. President Macri's ambitious economic freedom agenda could undo the damage of the Kirchner era. The unprecedented rise of regional countries willing to take a principled stance in defense of Venezuela's democracy should be commended as well. With every new administration, there are minor challenges to overcome, but overall, the United States' relationship with friends in Latin America will be deepened under the Trump administration."

A Dan Erikson, managing director at Blue Star Strategies and special advisor to the U.S. vice president from 2015-2017:

"Vice President Pence deserves credit for carrying out an important and substantive trip to Latin America, where he both reinforced and added additional nuance to this administration's policies toward the region.

Continued on page 4

in a tweet that his country will proceed with the talks. "Mexico will remain at the table with serenity, firmness and with the national interest ahead," he said. Also during his speech, Trump said he may seek to shut down the U.S. government in order to force Congress to provide money for his proposed multi-billion-dollar wall along the U.S.-Mexico border.

BUSINESS NEWS

Former Petrobras CEO Charged in Corruption Case

Brazilian prosecutors heading the massive "Operation Car Wash" corruption probe on Tuesday filed charges against Aldemir Bendine, who formerly headed state oil company Petrobras and state-owned bank Banco do Brasil, The Wall Street Journal reported. Bendine has been charged with corruption, money laundering and obstruction of justice. He was CEO of Petrobras from 2015 to 2016 and ran Banco do



Bendine // File Photo: Brazilian Government.

Brasil before that. Prosecutors allege Bendine received bribes from Brazilian construction conglomerate Odebrecht in exchange for lucrative contracts. Bendine denied wrongdoing through his lawyer, saying that he has neither received nor solicited any bribes. Prosecutor Athayde Ribeiro Costa on Tuesday alleged that Bendine requested some \$952,000 in bribes from Odebrecht before becoming CEO of Petrobras. Prosecutors allege the payment was allegedly made in three installments. Bendine has been under arrest since July for his alleged involvement in the corruption scheme.

FEATURED Q&A / Continued from page 3

Moreover, his visit built on the recent White House visits by three of the leaders—President Macri visited the Oval Office in April, followed by President Santos in May and President Varela in June—while reaching out to a fourth, Chilean President Michelle Bachelet, who had maintained greater

“During the trip, the vice president made two substantive policy speeches...”

— Dan Erikson

distance during the early months of the Trump administration. Regarding Venezuela, Pence expressed deep concern about the situation there, while emphasizing the need for the countries of the hemisphere to work together to devise a ‘peaceable’ solution. During the trip, the vice president made two substantive policy speeches, which carried important messages that should be carefully studied throughout Latin America and in the United States. The first focused on the opportunities to expand trade and commerce—and was notably delivered in Argentina, the one country on the trip which is not yet a free-trade partner of the United States, where Pence gave high praise to Macri’s reform agenda. The second, in Chile, focused on similar themes and hailed the U.S.-Chile Free Trade Agreement as a ‘model agreement’ that has resulted in a ‘dramatic expansion of trade, investment and opportunity’ for the people of both countries. Both speeches urged the countries of the region to deepen their ‘market-based reforms’ and were heavily tilted toward advancing an opportunity-based agenda in U.S.-Latin American relations. These speeches, coupled with the announcement of new agreements to expand U.S. pork exports to Argentina and rice

exports to Colombia, suggest the emergence of a more sober-minded, pragmatic, and fundamentally optimistic approach to Latin America that, if nurtured, could help weather the inevitable conflicts that will continue to test the U.S. relationship with the region.”

A **Fernando Cepeda Ulloa, professor of political science at Universidad de los Andes in Bogotá and former Colombian interior minister:** “Vice President Pence gave his best effort, and the Latin American leaders did as well. They all contributed to damage control efforts. The theme of Venezuela’s crisis was placed into a real-life context, and options were examined and evaluated with good sense. For this reason, there were no confrontations or snubs. The leaders restarted on a path of diplomacy and solidarity. It’s difficult, and it’s a new scenario. It has not been easy to understand President Trump’s foreign policy strategy. We know that it’s not a ‘big stick’ policy...but neither is it a ‘good neighbor’ policy. Neither is it a policy of benign neglect, nor of total neglect. We are in a complex learning period that will require calm heads and patience and good will toward the United States, which we admire and which has been very generous, particularly to Colombia. Figuring out a way to help Venezuela restart its democracy is no easy task. How to rescue Venezuela’s democracy is a colossal task and a global issue. Russia, Iran and China are all playing a role there. And, of course, Cuba, a few islands in the Caribbean and other countries are also involved. It’s important to define what type of political regime has been installed in Venezuela. Is it reversible? Does it have the ability to sustain itself? And ahead of similar issues, what legitimate actions can the international community take?”

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 © 2017

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Nicole Wasson

Reporter, Assistant Editor
nwasson@thedialogue.org



Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Michael Camilleri, Director, Peter D. Bell Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Alejandro Ganimian, Nonresident Fellow
Peter Hakim, President Emeritus
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Director, Migration, Remittances & Development
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development and External Relations

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 freetrial@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.