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FEATURED Q&A

What Does Sunday's Election Say About Venezuela's Future?



President Nicolás Maduro celebrated victory on Sunday night after the country's presidential election, which was widely derided as rigged in his favor. // Photo: Venezuelan Government.

Q Venezuelan President Nicolás Maduro was declared the winner of the country's presidential election on Sunday in a vote that Maduro's critics said was rigged in his favor. The vote was held as the Andean nation is plagued by food and medicine shortages, hyperinflation, a skyrocketing murder rate and an outmigration crisis. Was the election indeed a sham as the opposition and international critics of the government claimed would be the case? To what extent has the vote strengthened Maduro's grip on power? What can Venezuelans expect now? What actions should international governments and NGOs take in order to help the crisis-wracked nation?

A Michael Shifter, president of the Inter-American Dialogue: "It is hard to take Venezuela's recent presidential election seriously. As expected, the contest was indeed a sham. There were myriad irregularities reported and violations of basic standards for free and fair elections. The Venezuelan opposition and much of the international community got it right. The high abstention rate undercuts Maduro's claim to legitimacy and can be construed as a win for the opposition. That said, at least for the time being, Maduro's grip on power appears to be secure. He retains control of all key institutions, including the Electoral Council, courts and media, and so far it is difficult to discern cracks in the ruling clique and the military sufficiently significant to pose a threat to his rule. To be sure, with a collapsing economy, Maduro's position is unsustainable, and eventually there will be a transition. However, his capacity to hold on should not be underestimated.

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TODAY'S NEWS

POLITICAL

U.S. Sanctions Venezuela After Election

U.S. President Donald Trump signed an order barring U.S. companies or citizens from buying assets from President Nicolás Maduro's government. The Lima Group of 14 nations also announced the recall of ambassadors from Caracas.

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ECONOMIC

Brazil Seeing Slow Recovery From Recession

Following its severe recession, Brazil's growth is just 2.2 percent above its lowest point in the fourth quarter of 2016.

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BUSINESS

Amazon Eyes Growth of Cloud Services in Region

The e-commerce giant is looking to expand its cloud services in the region, said Teresa Carlson, the company's vice president for the worldwide public sector. Last month, Amazon opened a web services office in Argentina.

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Carlson // File Photo: Amazon.

POLITICAL NEWS

U.S. Slaps Sanctions on Venezuela After Disputed Election

The United States slapped new sanctions on Venezuela, and more than a dozen other countries recalled their ambassadors to the Andean nation on Monday, a day after President Nicolás Maduro was declared the winner of the country's presidential election. U.S. President Donald Trump signed an order barring U.S. companies or citizens from buying debt or accounts receivable from Maduro's government, The New York Times reported. The sanctions are meant to shut down an "avenue for corruption" that top U.S. officials have said they have seen Maduro and other members of his government using to enrich themselves, the newspaper reported. The order includes Venezuelan state oil company PDVSA, but it stopped short of imposing an embargo on Venezuelan oil. The new order would stop Venezuela from conducting "fire sales" of its assets, said Trump, NPR reported. "[This] money belongs to the Venezuelan people," he added. Venezuelan Foreign Minister Jorge Arreaza blasted the sanctions as "madness, barbaric and in absolute contradiction to international law," Reuters

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The opposition is in a tough spot and lacks effective leadership. Although the oil sector is in free fall, it still produces almost 1.5 million barrels a day, allowing the country to limp along. Venezuelans should be ready for continued deterioration and heightened repression. U.S. sanctions are likely to escalate, though to date there has been virtually no impact on the regime's behavior. The international community should stand united in condemning the Venezuelan government and intensify and sustain political and diplomatic pressure for the restoration of democratic rule. The Venezuela crisis should get priority attention at the OAS General Assembly in early June."

reported. Also on Monday, the Lima Group, a bloc of 14 nations, mainly in Latin America, denounced Venezuela's vote on Sunday, saying it failed to hold a "free and fair election." The members of the group, which includes Brazil, Mexico and Argentina, said they would recall their ambassadors from Caracas. Venezuela's election on Sunday was widely derided as a sham as Maduro's government banned most opposition figures from running; moved up the date of the vote, giving opponents less time to organize and campaign; controlled every aspect of the election; and set up red tents at which voters received food allotments. The workers at the so-called "red spots" said they did not pressure Venezuelans to vote for Maduro, The New York Times reported.

ECONOMIC NEWS

Brazil's Economy Seeing Slow Recovery From Recession

Brazil's economic recovery from its deepest recession in history has also logged its slowest rate of recovery on record, Folha de S.Paulo reported Monday. Four quarters have gone by since Brazil's latest economic recession came

A Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest:

"The conditions of this election were not free and fair. But the results demonstrate an opportunity squandered by the main opposition parties by its boycott. Maduro won 68 percent, according to the CNE. However, factoring in abstention, Maduro had the votes of approximately 25-28 percent of the eligible electorate. This is slightly above his approval ratings over the last couple of years, but clearly he did not extend out of the core 'Chavista' vote or encroach upon the center ground that was pivotal for Chávez's sweep-

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NEWS BRIEFS

Paraguay Officially Moves Israeli Embassy to Jerusalem

President Horacio Cartes on Monday opened Paraguay's new embassy in Jerusalem in a ceremony with Israeli Prime Minister Benjamin Netanyahu, Haaretz reported. Paraguay is the third country to move its embassy from Tel Aviv to Jerusalem this year, following the United States and Guatemala. Paraguayan President-elect Mario Abdo Benítez, set to be inaugurated in August, is expected to re-evaluate the decision to relocate the embassy.

Argentine Bank to Allow Customers to Use Bitcoin for Int'l Payments

Argentina's Banco Masventas on Monday began allowing its customers to use bitcoin for cross-border payments, CoinDesk reported. The regional bank is allowing international payments using the digital currency as part of a partnership with Bitex, a startup exchange that is focused on Latin America. The move is part of a larger effort by Banco Masventas to enhance its digital and smartphone-based services, according to José Dakak, the bank's principal shareholder.

DHL Supply Chain to Acquire Colombia's Suppla Group

DHL Supply Chain, a subsidiary of Deutsche Post AG, on Tuesday announced its acquisition of Colombian logistics company Suppla Group, MarketWatch reported. DHL Supply Chain, which did not release financial details of the acquisition, aims to expand its presence in South America and hopes to close the year with 10 to 20 percent growth in Colombia, said Javier Bilbao, chief executive of DHL Supply Chain Latin America, Portafolio reported. DHL Supply Chain has a presence in 11 other countries in Latin America.

to an end, but the country's growth is only 2.2 percent above its lowest point in the fourth quarter of 2016, according to data compiled by Codace, a committee of economists that was created by the Getúlio Vargas Foundation to look into the recession. In 1998, which had been the year Brazil's economy had recovered the slowest following a recession, the economy managed to grow 4.2 percent. The South American country's business sector has been slow to pick up steam amid massive corruption investigations into key industries, analysts said, which in turn has held back economic growth more broadly. "Seven months ago, we had pointed out how slow economic recovery was; now, all the projections that had put growth at 3 percent, some even at 4 percent, have been rendered useless and we're looking at 2 percent growth," said economist Affonso Celso Pastore. Economic activity in Brazil contracted more than expected in March, the central bank said last week, the latest in a string of indicators suggesting a first-quarter slowdown, Reuters reported. The central bank's economic activity index fell 0.74 percent from February, more than the median forecast in a Reuters poll of economists of a 0.10 percent decline. On the positive side of the scale, consumer prices have been tame, and Brazil's inflation rate likely accelerated only slightly in mid-May, holding below the official target range, Reuters reported Monday, citing its own poll of economists.

BUSINESS NEWS

Amazon Eyes Cloud Services Growth in Region: Executive

Amazon wants to grow its cloud computing services in Latin America, a top executive told attendees at a conference Monday in Buenos Aires, Reuters reported. The e-commerce giant opened its first web services office in Argentina in April as a preliminary step toward expanding its operations in Latin America. In a conference Monday at the U.S. Chamber of Commerce in Argentina, Teresa Carlson, Amazon's vice

THE DIALOGUE CONTINUES

Has Costa Rica's New President Picked a Good Cabinet?

Q Carlos Alvarado was sworn in May 8 as Costa Rica's president, along with a new cabinet that includes several members of the Social Christian Unity Party, or PUSC, which is allied with the ruling Citizens' Action Party in Congress. Notably, Alvarado appointed the PUSC's 2018 presidential candidate, Rodolfo Piza, to the post of minister of the presidency. What are the biggest challenges facing Costa Rica and Alvarado's government? What do his selections of cabinet members and other moves since taking office say about the way he will govern? Will Alvarado and his cabinet be able to work effectively with the country's legislators following an election that showed high levels of political polarization?

A José Antonio Muñoz, founding partner of Dentons Muñoz Costa Rica Limitada: "The biggest challenge facing Carlos Alvarado's administration is the ability of his Citizens' Action Party, or PAC, to organize a majority congressional alliance, for which the party needs the votes of the National Liberation Party, or PLN, social democrat representatives and the purportedly religious-right

National Restoration party delegation. The PLN has been resentful of the PAC usurping its left-of-center political rhetoric. National Restoration is not over its defeat in the balloting or the prevalence of the Catholic religious majority in it. The PUSC, both as a party and as a congressional delegation, would do well to maintain some distance from the president. This would allow the party to both advocate for economic freedom with social justice—which has been the PUSC's platform since its origins in the 1940s—and be at arm's length from the Piza-Alvarado personal compact, which is not a party-to-party formal coalition. This distance is particularly important in Costa Rica's instant economic and fiscal juncture. Judging from cabinet appointments, the country's private sector and the PUSC should be vigilant that economic and political individual rights are protected and the country does not move in the direction of increased state intervention and dominance."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Monday's issue of the Advisor.

president for the worldwide public sector, emphasized the Seattle-based company's desire to partner with Latin American countries, highlighting "lots of opportunities" and "amazing talent" in the region. The new cloud computing office in Buenos Aires adds to offices Amazon already has in Brazil, Chile, Colombia and Mexico. Over the last year, Argentine officials, including President Mauricio Macri and Energy Minister Juan José Aranguren, have met with Amazon executives to discuss the company's plans for expansion in the Southern Cone, Reuters reported. Amazon first entered the Latin American market in 2011 by selling

Kindle e-readers in Brazil, and began offering electronics and appliances there late last year, Bloomberg News reported. Though the company's operations in Argentina remain confined to cloud and data services, expanding sales there could potentially threaten Argentina's largest online store, Mercado Libre, and its clout in the Latin America market. Mercado Libre's shares dropped 14 percent as talks of Amazon moving into Argentina intensified last October, but have since recovered, Clarín reported. [Editor's note: See related Q&A on cloud computing's growth potential in the May 9 issue of the Latin America Advisor.]

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ing victories in the 2000s. There will be question marks over his legitimacy, and this may galvanize rancor within the ruling PSUV and the military. But most importantly for the government, their loyalist base has been mobilized, and PSUV supporters will defend this election process and Maduro as external pressure now ratchets up. The United States, Canada and some South American countries will not recognize the result, but that brings us no closer to resolution of Venezuela's crisis. As expected, Maduro capitalized on U.S. sanctions during the campaign and spun this as imperialist aggression. In the event the United States does introduce further sanctions or measures in the oil sector, the impacts on ordinary Venezuelans will be severe—and again without getting us any closer to reversing exodus and deterioration. Progress to peace and stability has to bring China, Russia and Cuba into the frame—difficult though this will be for the United States. But the reality is that the inter-American system has failed to prevent, contain or reverse Venezuela's decline."

A **Gustavo Roosen, president of IESA in Caracas:** "Venezuelan voters have historically exhibited very high participation in presidential elections, reaching 80 percent of the electorate in the past. Sunday's election had just 46 percent turnout, according to Maduro's government. Indeed, if we take into consideration the coercion of public employees, the blackmail concerning the CLAP food

donations within the ruling party's so-called 'red spots' located near the polling stations, the turnout was likely less than 30 percent. Some international observers think it was even lower. The international community has stopped believing in democracy in Venezuela. Most opposition leaders are suffering

“The international community has stopped believing in democracy in Venezuela.”

— Gustavo Roosen

from persecution, injustice, exile and imprisonment. Maduro's government and the ruling PSUV party are facing a crisis after this election. The military must carefully observe the message of civil society and the almost universal position of the international community, which is determined to ignore this electoral process. This will surely happen one way or another, and Venezuela's economic exclusion will continue. Likewise, new and stronger measures will be imposed on government officials accused in acts of corruption, money laundering, drug trafficking and terrorism. This exclusion will suffocate the government or will place it in a position to negotiate an exit. When hunger overcomes fear, Venezuela will be ready for a transition."

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