

## 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.

### Dirk Donath

Senior Partner,  
Catterton Aimara

### 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

### Carl Meacham

Associate VP for Latin America  
Int'l Advocacy Division, PhRMA

### Carlos Paz-Soldan

Partner,  
DTB Associates, LLP

### Beatrice Rangel

Director,  
AMLA Consulting LLC

### Ernesto Revilla

Head of Latin American  
Economics, Citi

### Gustavo Roosen

Chairman of the Board,  
Envases Venezolanos

### Andrés Rozental

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

### Shelly Shetty

Head of Sovereigns Ratings,  
Latin America, Fitch

### Roberto Sifon-Arevalo

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

## FEATURED Q&A

# What Did Maduro Accomplish on His Trip to China?



Venezuelan President Nicolás Maduro met last week with his Chinese counterpart, Xi Jinping, in Beijing. // Photo: Venezuelan Government.

**Q** China this month agreed to extend \$5 billion in credit to Venezuela as the South American country faces severe economic problems including hyperinflation and dire shortages of food, medicines and basic goods. Finance Minister Simón Zepa announced the credit line as President Nicolás Maduro was departing for China to seek support amid the country's crises. What did Maduro accomplish on his latest trip to Beijing? To what extent will support from China today help Venezuela stabilize its economy in the months ahead? How much is Venezuela relying on China, and at what are the risks for both countries in the mid to long term?

**A** Asdrúbal Oliveros, director, and Guillermo Arcay, economist, at Ecoanalítica in Caracas: "On his latest trip to China, Maduro had two main goals in mind: securing an injection of fresh cash and delaying the capital amortization payments on Chinese debt. However, his demands were not met by Xi Jinping. Instead of fresh funds for discretionary use, the Chinese president provided a new credit line of \$5 billion that will be progressively disbursed over time, directly to oil and mining joint ventures between China and Venezuela. Regarding the provision of a new six-month grace period on capital amortization payments, Maduro's wishes were entirely denied. The repercussions of Maduro's failure on this trip are not trivial, as Venezuela needed to finance, somehow, a hard currency cash flow deficit of nearly \$1.7 billion for this year's fourth quarter, and an even larger one in 2019, expanded by the constant contraction of the country's oil exports. The grace period was crucial. According to our estimates for this year's fourth

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Venezuela Jails 34 Store Managers Accused of Price Gouging

President Nicolás Maduro encouraged Venezuelans to speak up if they see unfair prices so that they do not get "robbed."

Page 2

### POLITICAL

## Thousands Protest Morales in Cities Across Guatemala

Students, academics, farmers and others protested President Jimmy Morales, who is disbanding the U.N.-backed International Commission Against Impunity in Guatemala and banning its leader from returning to the country.

Page 2

### BUSINESS

## Brazil's Grupo XP Reluctantly Enters Crypto Market

The independent brokerage firm will be launching a Bitcoin and Ethereum exchange, though CEO Guilherme Benchimol said he would have preferred not to have to enter the market.

Page 2



Benchimol // File Photo: @Gui\_Benchimol via Twitter.

## POLITICAL NEWS

## Venezuela Jails 34 Store Managers Accused of Gouging

Venezuelan authorities have jailed 34 supermarket managers on charges of gouging prices and hiding food, President Nicolás Maduro said Thursday during a meeting of his cabinet, El Nacional reported. "We had a group of supermarkets that hid the products from people and started to charge them whatever they wanted. There are 34 managers of big supermarkets behind bars for violating the law," Maduro said during an hour-long broadcast on

**Maduro last month increased Venezuela's minimum wage by 3,500 percent.**

state television, Reuters reported. "I say one thing and the supermarkets come along and say another ... What excuse do they have to not follow the rules?" Maduro said Venezuelans should report unfair prices so as not to get "robbed." Venezuelan media outlets have reported that several of the managers who are behind bars worked at Central Madeirense. Neither the chain of stores nor Venezuela's Information Ministry responded to requests for comment from Reuters. Last month, Maduro unveiled a new economic plan for the country, where residents are suffering with shortages of food, medicines and other basic goods and face an inflation rate of one million percent by the end of the year, according to the International Monetary Fund. Maduro ordered a 3,500 percent minimum wage hike, which the Miami Herald reported last week has forced nearly 40 percent of the country's stores to close their doors, some permanently. Government price controls have forced companies to sell their goods for far below cost at the same time that they are being required to shoulder the huge increase in the minimum wage, María Carolina

Uzcátegui, president of the National Council of Commerce and Services of Venezuela, told the newspaper. "It is a perfect storm," she said. "These decisions are leading many business people to say, 'No, I can't do it any more.'" At the same time as he announced the minimum wage hike, Maduro devalued the country's currency by 96 percent. He also said that his government would cover salaries for the first three months of the new program so that businesses would not increase prices, Reuters reported. Also on Thursday, Maduro said Venezuela would begin using the "petro," a digital currency that his government created this year, in international trade.

## Thousands Protest Morales in Cities Across Guatemala

Thousands of demonstrators took to the streets in Guatemala City and other locations across the country on Thursday to protest President Jimmy Morales' decision to disband Guatemala's U.N.-backed anti-corruption commission and bar its leader from returning to the country, Prensa Libre reported. In the capital, university students and other demonstrators marched to Guatemala City's main plaza. "Jimmy and Sandra, resign because you are part of the mafia," read some banners, referring to the president and Foreign Minister Sandra Jovel, the Associated Press reported. [Editor's note: See related [Q&A](#) in Thursday's Advisor.]

## BUSINESS NEWS

## Brazil's Grupo XP Reluctantly Enters Crypto Market

Brazil's Grupo XP will join the cryptocurrency market in coming months, CEO Guilherme Benchimol said Thursday, Bloomberg News reported. The independent brokerage firm will be launching a Bitcoin and Ethereum trading

## NEWS BRIEFS

## Mexico's López Obrador Maintains Vow to Sell Jet Despite Three-Hour Delay

Mexican President-elect Andrés Manuel López Obrador was stuck on an airport tarmac on a commercial flight Wednesday after bad weather forced Mexico City's airport to close, delaying hundreds of passengers, Reuters reported. López Obrador, who has promised to sell the presidential jet after taking office on Dec. 1, said the incident has not changed his mind about the austerity measures. "I won't get on the presidential plane," he said, the wire service reported.

## Three Continental Gold Employees Killed in Colombia Attack

Three employees of Canada-based gold miner Continental Gold were killed in Colombia's Antioquia Province, the company said Thursday, Reuters reported. Three others were also injured in the attack, which was attributed to dissident members of the former Revolutionary Armed Forces of Colombia, or FARC, rebel group, according to a company spokesman. The three geologists were killed in the town of Ochalí, at Continental's Berlin project, the company added.

## Petrobras to Receive \$173 Mn to Compensate for Diesel Subsidies

Brazilian state oil company Petrobras will receive 706 million reais, roughly \$173 million, as compensation for diesel subsidies, oil industry regulator ANP said Thursday, Reuters reported. Earlier this week, ANP had approved an additional payment of 877 million reais to Petrobras. The diesel subsidy program, adopted to end a weeks-long truckers' strike over high fuel prices that paralyzed the country, has been in place since May.

exchange, although Benchimol said he would have preferred not to. "I must confess, this is a theme I'd rather didn't exist, but it does," he said in a public event in São Paulo. "We felt obligated to start advancing in this market." Roughly three million Brazilians have Bitcoin, while just 600,000 invest in stocks, Benchimol added. The exchange will be called XDEX and will be run separately from Grupo XP's XP Investimentos, Brazil's largest investment firm, Bloomberg News reported. Brazil's antitrust regulator, known as CADE, launched a probe on Tuesday into six of Brazil's major banks, including Banco do Brasil and Itaú Unibanco, in relation to alleged monopolistic practices in the crypto market, O Estado de S.Paulo reported. CADE will investigate whether the banks closed accounts of local brokerages trading in Bitcoin. The major banks are "imposing restrictions or even prohibiting ... access to the financial system by cryptocurrency brokerages," according to CADE, Reuters reported. Banco do Brasil told the wire service it is committed to "competitive practice based on ethics and respect for free competition," while Itaú said it was confident "its conduct will be considered legitimate."

## ECONOMIC NEWS

### Still No Timeline for Aid Disbursements to Argentina: IMF

Argentina's draft budget submitted to Congress this week is key for the reforms required for the International Monetary Fund's loan package, but there is still no timeline for aid disbursements, a spokesman for the international lender said Thursday, Perfil reported. The budget is "a fundamental part of the authorities' plan to strengthen their economic policies and to boost confidence," said the spokesman, Gerry Rice, Agence France-Press reported. The austere budget plan sparked street protests in Argentina. Earlier this month, President Mauricio Macri asked the IMF for early disbursements of the standby loan.

## FEATURED Q&A / Continued from page 1

quarter, Venezuela will have to transfer around 374,000 barrels per day to China as debt service and will only sell around 358,000 barrels per day in other deals that actually generate cash. A grace period would more than double the government's future available revenue and could amount to savings of approximately \$2.3 billion in just three months, or \$624 million more than needed to finance the external deficit. Next year, in the midst of a humanitarian, social and economic collapse, the government won't have enough funds for a stabilization plan and will also have to either slash food and medicine public imports, default on Chinese and Russian debt or all of the above."

**A Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue:**

"China may very well extend up to \$5 billion in credit to Venezuela, but Chinese media have yet to confirm Venezuelan Finance Minister Simón Zepa's September statements. Zepa also made mention of \$5 billion in Chinese finance earlier this summer, and a draw of approximately \$150 million to finance China-Venezuela exploration and production projects. If this deal materializes, it would be consistent with China's most recent financing arrangements in Venezuela. Although overall Chinese finance to Venezuela has dwindled in recent years, Beijing has focused any new credit on boosting the country's rapidly declining oil production. An approximately \$2.2 billion loan in 2016 was earmarked for oil sector development, for example. This sort of credit is critical for Venezuela's oil industry—PDVSA produced only 1.34 million barrels of oil per day in June, compared to an average of 2.15 million barrels per day in 2016, according to OPEC. It might also help to ensure repayment of China's outstanding loans to the country, most of which are backed in oil, while increasing China's footprint in the Orinoco Belt. But even if distributed all at once, a \$5 billion infusion hardly amounts

to a lifeline for the Maduro administration. Nor would it do much to help the Venezuelan people or to address rampant corruption and economic mismanagement. Another

“Even if distributed all at once, a \$5 billion infusion hardly amounts to a lifeline for the Maduro administration.”

— Margaret Myers

Chinese line of credit would be a very short-term win for Maduro. Beijing, on the other hand, is playing the long game—especially as it concerns equity oil investment. Energy security calculations are still driving China's foreign policy decision-making in Venezuela, it would seem."

**A Ray Walser, retired U.S. Foreign Service officer and former Latin American policy analyst at the Heritage Foundation:**

"In his recent visit to Beijing, it appears President Maduro received the treatment accorded a legitimate head of state, including a coveted meeting with President Xi Jinping, a Chinese commitment to continue its 'strategic partnership' with Venezuela and the promise of badly needed economic support. While far from transparent, new Chinese resources will go to the petroleum and gas sector in hopes of reversing the precipitous decline in oil production. An additional \$5 billion would add to an estimated \$62 billion already committed by the Chinese to the Chávez-Maduro regime in the past decade. While certainly leery of the economic meltdown and widening humanitarian crisis in Venezuela, the Chinese forge ahead with a strategy of engagement that brings risks as well potential benefits. On the plus

Continued on page 4

## FEATURED Q&amp;A / Continued from page 3

side, Venezuela loyally supports Chinese international undertakings such as the Belt and Road Initiative, continues to foster a combative spirit of anti-Americanism in the

“**The Chinese forge ahead with a strategy of engagement that brings risks as well potential benefits.”**

— Ray Walser

region’s beleaguered but still influential left and vexes U.S. policymakers in the era of President Trump. On the negative side are the dangers of debt default and non-delivery on commitments. China’s long-term focus on the petroleum industry will have

enduring financial and legal consequences even if Maduro and company were to lose political power. Sales of Chinese military and police equipment also help strengthen the forces of repression. One can imagine that behind closed doors, the Chinese are less than thrilled with Maduro’s ham-handed and corrupt leadership. However, in public, it is a see-no-evil approach. Repairing the failures of democratic governance, even if it is a regional priority in the Americas, is not one of China’s strengths. Caught in a widening gyre of economic and political woes, the Maduro regime appears to be on life support. Without massive structural changes, a fresh infusion of Chinese cash will only have a palliative effect, further prolonging Venezuela’s national agony.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gene.kuleta@thedialogue.org](mailto:gene.kuleta@thedialogue.org).*

## JOB POSTINGS

**EDITOR’S NOTE:** We are pleased to share Latin America-related job postings that companies reading the Advisor and others have posted recently.

**SBA Communications:** Director of Operations for South America, Lima

**Visa:** Vice President, Latin America and Caribbean Client Readiness, Miami

**Starkey Hearing Technologies:** Regional Finance Leader for Latin America, Minneapolis

**Marriott:** VP, Design and Project Management, Latin America Region, Washington

**Covington & Burling:** Business Development Specialist, Latin America, Washington

**Goldman Sachs:** AVP, Latin America Economics, New York

**Wood Mackenzie:** Head of Latin America Upstream Research, Rio de Janeiro

**FTI Consulting:** Senior Consultant, Public Affairs & Strategic Communications, Washington

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

### Erik Brand

Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

### Gene Kuleta

Editor  
[gene.kuleta@thedialogue.org](mailto:gene.kuleta@thedialogue.org)

### Anastasia Chacón González

Reporter  
[achacon@thedialogue.org](mailto:achacon@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, Asia 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](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [freetrial@thedialogue.org](mailto: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.