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FEATURED Q&A

Is Venezuela a Security Threat to the United States?

Q U.S. President Barack Obama on March 9 signed an executive order declaring Venezuela a national security threat and imposing sanctions against seven officials in the Andean nation. The move angered President Nicolás Maduro, who asked the country's National Assembly to grant him decree powers in order for him to "confront the aggression" of the United States. What will the White House's action accomplish? To what extent is Venezuela a national security threat to the United States? What will Maduro do with decree powers?

A Peter Hakim, member of the *Advisor* board and president emeritus of the Inter-American Dialogue: "The United States blundered. The sanctions themselves are inconsequential. Like the two earlier rounds of sanctions, they will do nothing to change the course of events in Venezuela. Nor will they motivate Latin American governments to engage more forcefully. And they do not do much, if anything, to raise U.S. credibility on human rights. Slaps on the wrist to seven mid-level officials are hardly a serious defense of human rights, rule of law or any other principle. The fact is that the United States shot itself in the foot, not because of the sanctions themselves, but because U.S. law required accompanying language declaring Venezuela an imminent threat to U.S. security. This is tough language. It prompted the Maduro government to launch another flurry of accusations against the United States for promoting regime change and made the charges sound a bit more plausible. After loudly applauding President Obama for his bold decision to normalize U.S.-Cuba ties, Latin American governments were confused and troubled by the White House's overheated rhetoric on Venezuela, which no one believes is a threat to the United States. That rhetoric came as an unwanted shock to the growing chorus of former Latin

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Britain's Falklands Spending a Provocation: Argentina

Britain's plan to bolster the defenses of the Falkland Islands is a provocation, Argentine Foreign Minister Héctor Timerman said Wednesday. Timerman said Argentina would file a complaint with the United Nations. See story on page 2.

File Photo: Argentine Government.

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NEWS BRIEFS

Costa Rica Fires its Ambassador to Venezuela

Costa Rica said Wednesday that it had fired its ambassador to Venezuela, Federico Picado, over statements he made in support of Venezuela's government, Reuters reported. Costa Rican President Luis Guillermo Solís said his government did not share Picado's views, which were published in daily newspaper *La Nación*. Picado said a shortage of basic goods in Venezuela was due to "political factors" and efforts by "big business" to destabilize the country.

Chile Declares State of Emergency Amid Atacama Floods

Chile's government on Wednesday declared a state of emergency in the Atacama Desert region after heavy storms and torrential rains that began Tuesday blocked roads, caused power outages and led to evacuations, the Associated Press reported. Some 600 people were affected when the Copiapó River overflowed, and local media reports said two people were killed in the town of Chanaral. Chilean state mining company **Codelco** said it has temporarily halted operations in the area due to blocked roads.

Brazil's Real Falls as Central Bank Plans to Reduce Support

The Brazilian real fell 2 percent to 3.2010 per dollar in São Paulo on Wednesday following news that the central bank will reduce support for the currency, Bloomberg News reported. At the end of the month, the central bank will stop swap auctions that had propped up the real, it said in a statement. The currency is the worst performing major currency this year and has fallen 17 percent against the dollar in 2015 amid worries that the country may lose its investment-grade rating.

Political News

Britain's Plans to Boost Falklands Defenses a Provocation: Argentina

Britain's move to boost its defenses of the Falkland Islands is a provocation, Argentine Foreign Minister Héctor Timerman said Wednesday, *The Guardian* reported. Timerman's statement came a day after Britain's defense secretary, Michael Fallon, told Parliament that the country would spend 180 million pounds ($269 million) over the next decade in order to bolster the Falklands from "continuous intimidation" from the South American nation. Fallon said there was no plan to increase the number of British troops in the Falkland Islands, over which the two countries fought a war in 1982, but added the new spending would pay for modernized infrastructure, including military accommodations, and would also pay for a new primary school, MercoPress reported. "The current military presence is broadly proportionate to the threats and risks we face. Our forces in the South Atlantic are ... at the level required for defense of the Falkland Islands against any potential threat," said Fallon. "However, I have also agreed a number of measures designed to ensure our resilience for the short, medium and longer term. I have decided .. we will keep our numbers at around current levels of about 1,200 personnel." Britain would send two Chinook military helicopters to the archipelago by the middle of next year in order to support troops currently there. He added that Britain would also install an improved military communications system. Timerman said Britain's move "made no sense," *The Guardian* reported. "This business from Great Britain is a provocation, not just to Argentina but also to the United Nations." Last year, the United Nations' decolonization committee called on Britain to negotiate with Argentina on the status of the Falklands, which Argentina claims as the Malvinas. However, London has argued that the islanders should decide the issue themselves. In a referendum in 2013, 99.8 percent of voters said they wanted to remain an overseas territory of Britain. Argentina is planning to submit a formal complaint to the decolonization committee. Britain is "expressly violating U.N. regulations on not altering the situation when there is a state of controversy regarding a territory's sovereignty," said Timerman. Aníbal Fernández, the cabinet chief of Argentine President Cristina Fernández de Kirchner, said Britain's move amounted to grandstanding ahead of the country's general election on May 7. "They're facing elections, so they resort to cheap nationalism to put all of British society on tenterhooks over a military matter," he said.

Fallon

File Photo: British Government.

Company News

Brazil's 3G Capital Backing Heinz, Kraft Merger

Brazil-based global investment firm **3G Capital** and billionaire Warren Buffet's **Berkshire Hathaway**, the controlling shareholders of U.S-headquartered **Heinz**, will invest $10 billion in the new company formed by the merger of the food processor and **Kraft Foods**, Agence France-Presse reported Wednesday. The merger will create the fifth largest food and beverage company in the world and the third largest in North America, Heinz said Wednesday in its statement announcing the merger of the two food giants. The new company will be called **The Kraft Heinz Company** and will be headquartered in Pittsburgh and the Chicago area, Heinz said, adding that the combined company will have $28 billion in revenue, along with eight brands worth more than $1 billion and five brands

> "The company will enjoy significantly enhanced scale in its key North American market…"
>
> — *Alex Behring*

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worth between $500 million and $1 billion. "The company will enjoy significantly enhanced scale in its key North American market, not only at retail but also in the food service channel," said Alex Behring, 3G's managing partner, *The New York Times* reported. "Heinz currently benefits from a truly global platform, which we will leverage to expand the reach of Kraft's brands to consumers across the globe." The announcement of the merger, so far this year's largest, is a bet on conventional food staples at a time when consumers are moving away from processed foods and toward organic and fresh products. In addition, consumers with lower incomes are moving away from name-brand products, *The New York Times* reported.

Grupo México Hoping to Raise $1.3 Billion in Rail Unit IPO

Mexican mining and infrastructure corporation **Grupo México** hopes to raise $1.3 billion from an initial public offering of its **ITM** rail unit, which it plans to list in the first half of the year, a senior executive told Reuters in an interview on Wednesday. **Ferromex** CEO Rogelio Vélez said Grupo México plans to list about 15 percent of the unit's stock, which it expects to be in high demand. Ferromex is ITM's main railroad and the largest in Mexico. Vélez said the money will be invested in new rolling stock and other capital expenditure. Mexico's **GBM** and **Credit Suisse** are underwriting the deal. The company cut rail investment last year as it awaited an anti-trust competition bill in Mexico's Congress that was less onerous than expected, and a new rail regulator will be created, a move Vélez said the company welcomes. Mexico's railroads are a duopoly controlled by Grupo México and a unit of **Kansas City Southern**. ITM has benefitted from a boom in Mexico's automotive sector, transporting Mexican-built cars to the United States.

Vélez

File Photo: Mexican Government.

Featured Q&A

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American presidents who are highly critical of the Maduro government and urging stronger regional efforts to deal with Venezuela's political turmoil. U.S. criticisms and sanctions have made their task harder. Instead, the United States should focus on defusing Venezuela's increasingly explosive situation and restoring some greater measure of civility, democratic governance and economic rationality to Venezuela. These should also be the goals of Latin America's governments. The U.S. misstep does not justify their inaction on Venezuela, which needs the help of its neighbors to resolve its deepening crisis."

A Gustavo Roosen, member of the *Advisor* board and president of IESA in Caracas: "Before March 9, the U.S. Congress was the branch of power that principally showed concern about human rights violations and corruption in Venezuela. In December, Congress enacted legislation empowering the executive branch to sanction perpetrators of human rights abuses and corruption. Heretofore, the policy of Obama's government was to mostly ignore the constant attacks of Maduro's administration. The March 9 executive order is a quantitative leap forward since it now considers that Venezuela has become a threat to U.S. national security. Strong and convincing evidence of the threat must support this language. The executive order so far has resulted in sanctions against a group of prominent Venezuelan military officials and a prosecutor. As a consequence, Maduro has labeled Obama's action as the worst aggression ever to Venezuela and has shrewdly manipulated the support of all Latin American heads of state, has neutralized Venezuelan opposition and has even sponsored a national campaign to collect 10 million signatures requesting Obama to cancel the executive order. Further, Venezuela's National Assembly granted Maduro special powers to combat foreign aggression. These powers will enable him to rule by decree and continue implementing a communist system model while blaming private enterprise and the United States as the combined forces gathered to conspire to overthrow his government. In fact, it is Maduro's economic incompetence and lack of action to combat insecurity that have weakened his popular support to less than 20 percent."

> "The March 9 executive order is a quantitative leap forward..."
>
> — *Gustavo Roosen*

A Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest: "The executive order is ill-conceived and counterproductive. The relationship between means and ends are unclear. Multiple negative impacts can be anticipated and are already being felt. The most significant is the widespread derision that has greeted the announcement, no matter efforts by the State Department to play down the severity of the assumed national security threat through reference to procedural recourse. We live in an age of multiple and complex security risks. The inclusion of Venezuela alongside Islamist terrorism and cyber warfare erodes the credibility of U.S. threat assessments and prioritization of risk. Moreover, in a week when a U.S. district judge ruled that more than 2,500 photographs of the U.S. military abusing Iraqi and Afghan detainees must be released, the United States is as ever vulnerable to claims of abject hypocrisy in its criticism of the human rights record of other countries. The order is not a tool for substantively improving human rights observance in

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Featured Q&A

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Venezuela, or of weakening the Maduro government—if that is the intention. Rather, the measure has served to unify Latin American governments against this display of U.S. unilateralism in hemispheric affairs. Within Venezuela, the order has exacerbated fissures in an opposition movement that is already fragile going into parliamentary elections at the end of the year, it detracts attention from serious debate and scrutiny of Maduro's record, it is hugely unpopular among the Venezuelan population, and as with so many aspects of U.S. policy, will serve only to galvanize national sentiment behind the Maduro government."

Maria Velez de Berliner, president of Latin Intelligence Corporation: "Albeit required by the language of U.S. sanctions, calling Venezuela a threat to the security of the United States was a diplomatic blunder because it flew in the face of reality. How could a country that lacks beans, rice, toilet paper and diapers, deep in foreign debt, and whose leader has an approval rating of 20 percent, be a direct threat to the United States? Venezuela is in no position to threaten or harm the United States, but the United States can harm Venezuela, more than the sanctions, by stopping imports of Venezuelan oil, something not in the cards for now. Maduro would probably have gotten his 'Enabling Law' from a National Assembly packed with Chavistas. But the U.S. sanctions have strengthened Maduro's anti-U.S. hand. He can now govern by decree until Dec. 31, or longer, if Venezuela's opposition continues being fragmented under Maduro's repression. This means Maduro can claim a state of emergency caused by 'U.S. intervention in Venezuela's affairs' and cancel the October parliamentary elections where the opposition could have made significant gains, if they could form a united front against a government that has led Venezuela to implode financially, politically and socially. Given the unfortunate, sometimes disastrous, history the United States has in Latin America, the language of the sanctions led the region to distance itself from supporting the United States, instead calling for Venezuelans to solve their problems alone. Given the slow-motion implosion of Venezuela, it behooves Venezuelans to ensure that whoever replaces Maduro, whenever that happens, can govern the country out of the debacle Chavismo created. Unfortunately, sanctioned drug traffickers and criminals will continue to thrive in Venezuela as long as drugs and criminality remain an accessible and highly profitable economic alternative in a destroyed economy."

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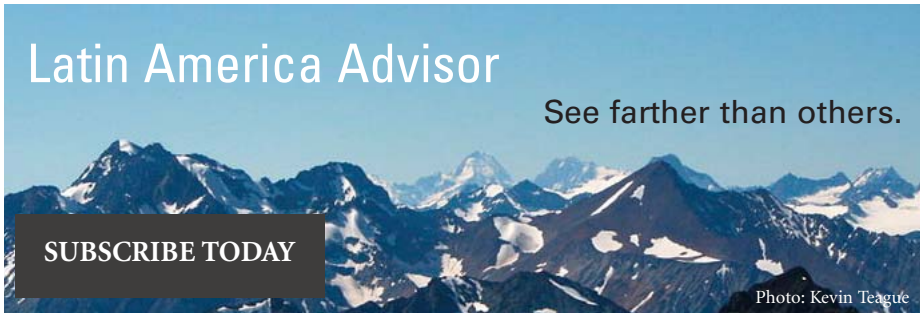
> — *Maria Velez de Berliner*

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*



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