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THEDIALOGUE

FEATURED Q&A

What Does López's Sentence Mean for Venezuela?

Leopoldo López, pictured last year in his jail cell, was sentenced earlier this month to 13 years, nine months, seven days and 12 hours in prison. // File Photo: Instagram site of Leopoldo López.

Q A Venezuelan judge on Sept. 10 found opposition leader Leopoldo López guilty of charges including inciting violence during last year's deadly anti-government protests and sentenced him to nearly 14 years in prison. Was López given a fair trial? What does López's sentence mean for the country's opposition, and what effect will it have on the December legislative election? What does the sentence mean for Venezuela's relations with other countries, including the United States?

A Michael Shifter, president of the Inter-American Dialogue: "For anyone following Venezuela's increasing authoritarianism—and the unending tragedy that has visited that country—the harsh sentencing of Leopoldo López was hardly surprising. Although some expected the decision to be somewhat less severe, aimed at containing the public outcry, no one seriously thought the process would meet even minimal standards of justice and due process. Terms used to describe the proceeding such as 'sham' and 'farce' are, if anything, understated. After 16 years of Chavista rule, the Maduro government is doing what it can to hold on to power. From the heightened border tensions with Colombia to the López ruling, political calculations are driving decisions to avoid defeat in the parliamentary elections scheduled for Dec. 6. Datanálisis and other respected polls suggest the government has good reason to worry. The regime is betting that the possible political benefits of the outrageous López sentencing will outweigh the costs. Benefits include distracting attention from economic woes, unifying hard core Chavistas, deepening divisions within the opposition, and instilling

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TODAY'S NEWS

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Venezuela, Colombia to Gradually Reopen Border Crossings

The countries' presidents also agreed to reinstate ambassadors in each other's capitals.

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Mexico's Central Bank Keeps Benchmark Rate Unchanged

The bank kept its overnight rate steady at 3 percent, saying the peso's weakness has not put upward pressure on inflation.

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POLITICAL

Former Treasurer of Brazil's Ruling Party Sentenced to 15 Years, 4 Months

João Vaccari Neto, the former treasurer of Brazil's ruling Workers' Party, was sentenced for corruption and money laundering in connection with the massive corruption scandal at state-run oil company Petrobras.

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Vaccari // File Photo: Brazilian Government.

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POLITICAL NEWS

Venezuela, Colombia to Gradually Reopen Border Crossings

Venezuelan President Nicolás Maduro and his Colombian counterpart, Juan Manuel Santos, on Monday agreed to gradually reopen border crossings and also reinstate ambassadors in each other's capitals, BBC News reported. The two presidents met in Ecuador in an encounter brokered by President Rafael Correa, a close ally of Maduro, and Uruguayan President

Maduro, Vázquez, Correa and Santos (L-R) met Monday in Ecuador to forge the deal. // Photo: Ecuadorean Government.

Tabaré Vázquez, the current head of the 12-nation Union of South American Nations, or Unasur, the Associated Press reported. The border crisis began last month after Maduro deported some 1,500 Colombians whom he blamed for smuggling in the area. Another 16,000 Colombians, some of whom had long lived in Venezuela, left voluntarily after troops began bulldozing homes and forcing Colombians to flee. Maduro closed several border crossings and the two countries withdrew their ambassadors amid the crisis. Maduro has said that years of smuggling activity in the area has led to shortages in Venezuela as people have bought heavily subsidized goods in Venezuela and then illegally transported them into Colombia to be sold for big profits. Venezuela's government has said that as much as 40 percent of its goods are smuggled out of the country at a cost of $2 billion annually. After Monday's meeting with Maduro in Ecuador, Santos said he would work to address Venezuela's concerns about illegal activity in the area. "We will do our part to fight contraband, gangs and criminal behavior," said Santos, the AP reported. "We are brother countries." Maduro also struck a conciliatory tone after meeting with Santos. "Common sense, dialogue and peace between our peoples and our countries have triumphed today," said Maduro, BBC News reported. The deal to reinstate ambassadors and gradually reopen border crossings were part of a seven-point agreement that also included a plan to jointly investigate the situation at the border, Al Jazeera reported. [Editor's note: See **Q&A** on Venezuela-Colombia relations in the Sept. 8 issue of the Advisor.]

Ex-Treasurer of Brazilian Ruling Party Gets 15 Years

João Vaccari Neto, a former treasurer of Brazilian President Dilma Rousseff's Workers' Party, or PT, was sentenced Monday to 15 years and four months in prison for corruption and money laundering in connection with the massive graft scandal at state-run oil company Petrobras. Vaccari was convicted of channeling money received from corporate bribes into the party's coffers, and is the most senior political figure yet to be found guilty of corruption in the massive scandal that has implicated many members of the PT, the Financial Times reported. The bribes totaled at least $1 million, including money given in the form of campaign donations made by oil field services company Toyo Setal between 2008 and 2012, according to Sérgio Moro, the judge leading the court proceedings in the Petrobras investigation, the Associated Press reported. The court also sentenced Petrobras' former head of corporate services, Renato Duque, to more than 20 years in prison after being convicted on corruption charges. Both men have denied wrongdoing and may appeal. More than 50 sitting congressmen and other top political figures are under investigation for their alleged involvement in the scheme. As public attention has grown surrounding the case, Rousseff has seen a drop in approval ratings that has made her the most unpopular president of Brazil in recent democratic history.

NEWS BRIEFS

Insured Losses From Chile Earthquake Could Hit $900 Million: AIR

Insured losses from the 8.3 magnitude earthquake that struck Chile last Wednesday are expected to be between $600 million and $900 million, AIR Worldwide, a Boston-based catastrophe modeling firm said Monday, Business Insurance reported. At least 13 people were killed in the earthquake, which was centered near the city of Illapel. A tsunami wave more than 16 feet high was reported in the port city of Coquimbo where fishing boats and debris washed ashore. On Monday, a 6.5 magnitude aftershock rattled Chile, but caused no additional reported damage or casualties.

Workers at Shougang Hierro Peru Mine Begin Indefinite Strike

Workers from the Shougang Hierro Peru iron mine on Monday began an indefinite strike for higher pay, Reuters reported, citing a union leader. The strike has completely stopped all production at the mine. Peru-based representatives of China's Shougang Group did not comment on the strike. Last year, Shougang produced 7.2 million metric tons of iron from the Shougang Hierro mine, which is located in southern Peru.

U.S. Fed Approves Bci's Purchase of Bankia Unit

The U.S. Federal Reserve approved Chilean bank Bci's request to purchase a unit of Spain's Bankia located in Florida, Bci said Monday, Reuters reported. The Chilean bank originally filed the request for authorization to purchase Bankia's City National Bank of Florida in 2013. Chilean and Spanish authorities also approved the $883 million acquisition. The Chilean bank expects the operation to be finalized within 30 days, Bci said in a statement.

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fear and discouraging turnout for the elections. Potential costs are converting López into a martyr and ratcheting up international criticism of the regime. So far, however, the Maduro government has unfortunately faced little if any pressure from the region's governments on the question of political prisoners. López is a symbol and victim of the country's profound crisis. He and his family are paying a huge cost for trying to change a government whose description of him as a 'terrorist' insults every thinking person's intelligence."

Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest: "López's sentence must, for now, be put on the back burner by the opposition Democratic Unity Roundtable (MUD) coalition. The Dec. 6 legislative elections are close, and the MUD has to focus on popular concerns and grass-roots mobilization. Proposals for addressing recession, insecurity and shortages must be prioritized over individual causes, and particularly with polls showing that the MUD cannot take an electoral majority for granted. López's best prospect for judicial review comes from a MUD landslide in December and the option of a recall referendum on Maduro in 2016. A two-thirds majority in the legislature is essential for the MUD to effect—if it can stay unified—significant political change. This will not be achieved if the MUD entertains a new cycle of street protests in support of López. There seems to be a diplomatic consensus that a calm pre-election environment should prevail. MUD's success in December requires López's supporters, particularly his high-profile wife, to respect the electoral approach of the MUD, which had eschewed López's protest strategy. The protest route was a divisive and high-risk strategy, for which López is paying a high price. The potential of 'La Salida' was overstated, particularly to sympathetic external audiences in the United States, European Union and the Organization of American States. U.S. Secretary of State John Kerry is among many high-level critics of López's sentence, but the outcry at his prison term has not been as loud as the López campaign would have hoped."

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Javier Ciurlizza, program director for Latin America at International Crisis Group: "Leopoldo López was declared guilty long before the verdict formally issued by Judge Barreiros on Sept. 10. Judges in Venezuela are generally political appointees, kept on a short leash by the executive, and there was never any chance that an opposition leader facing criminal charges would receive a fair trial. The only issue at stake was whether the government would consider it more politically expedient to release him rather than sentencing him to a lengthy jail term. It is possible that, from that point of view, the wrong decision was made. At liberty, López has proven to be a source of friction within the opposition. In launching the 'La Salida' movement last year, which openly called for the peaceful removal of Maduro, through resignation or other constitutionally sanctioned means, he caused a severe rift in the ranks of the MUD. As a political prisoner, however, he tends to bring the MUD's opposing tendencies together. His imprisonment will not have a major impact on December's parliamentary elections. But the government will pay a price in the form of a further deterioration of its international image. In particular,

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ECONOMIC NEWS

Mexico's Central Bank Keeps Key Interest Rate at 3%

Mexico's central bank left borrowing costs at a record low of 3 percent on Monday, Bloomberg News reported. Banxico left the overnight rate low in an effort to help boost Mexico's struggling economy, despite fears the peso's drop would put upward pressure on the country's inflation rate, the lowest in five decades. There had been some speculation among analysts that the Bank of Mexico, led by Agustín Carstens, might raise the borrowing costs if the U.S. Federal Reserve did the same.

Carstens // File Photo: Mexican Government.

However, speculation slowed once the Fed last week decided not to increase borrowing costs. Before the announcement from the Fed, Mexican policymakers were concerned that an increase in borrowing costs could lead to divestment from the Mexican economy. "Bottom line, they don't care that much where the peso is, but only about the implications of the peso for the inflation outlook," Alberto Ramos, chief Latin America economist at Goldman Sachs, told Bloomberg News in a phone interview. "The flight plan is still for them to follow the Fed." Mexican policymakers said in a statement Monday that the peso's effect on inflation has only affected the price of durable goods, such as cars or household appliances, but that they would stay vigilant for any broad price changes. Policymakers also said they will adjust monetary policy "when it becomes necessary."

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the incipient thaw in relations with Washington has been halted and may be thrown into reverse. Already controversial, the decision to pursue an improvement in U.S.-Venezuela ties no longer looks viable with López facing 14 years in the Ramo Verde military prison. There are also severe—although not in the short term—damages to the relation between Maduro and many Latin American countries."

Diego Arria, member of the Advisor board, director of the Columbus Group in New York and former permanent representative of Venezuela to the United Nations: "After 18 months in a military prison, mostly in solitary confinement, there was no trial for Leopoldo López. Instead we witnessed the judicial lynching of the most popular political leader of Venezuela, a victim of trumped-up charges in a country without an independent judicial system where the regime controls all branches of government. The proceedings took place behind closed doors. The judge banned access by the public and the media and allowed the prosecution's 108 witnesses—most of whom were linked to the security services—and only two of López's and declared inadmissible all of the exonerating documentary evidence presented by his defense. López's conviction has been harshly criticized by the international community, including the U.N. high commissioner for human rights, the European Union, the governments of Spain, Chile, Costa Rica, Peru and even by the OAS secretary general. In addition, international rights groups like Human Rights Watch, Amnesty International and the Human Rights Foundation, as well as more than 23 democratic former Latin American presidents have asked for his immediate release. The process transcends López himself. It is a sort of a death sentence to whatever is left of liberty in Venezuela. It is also a message of intimidation to all dissidents that the regime does not care about international condemnation and that it is willing to continue holding power at any cost. There is no doubt that Venezuela's authoritarian regime, which has less than 20 percent popular support, sees a free López as a real threat because he is twice as popular as Maduro. In the meantime, I doubt that the United States will cross the red line of doing anything beyond 'expressing concern,' especially now that its Latin America foreign policy is focused on engagement with Cuba, and that unfortunately is of higher concern than Venezuela."

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

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