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THEDIALOGUE

FEATURED Q&A

Is Venezuela's Government Irreparably Broken?

Violent protests, like the one pictured a week ago, have become a regular occurrence this month in Venezuela. // Photo: Democratic Unity Roundtable.

Q Venezuela has been roiled by multiple protests this month, with tens of thousands of anti-government demonstrators marching in Caracas. The unrest was sparked after the country's Supreme Court effectively dissolved the country's legislature but then reversed the move following widespread condemnation over fears that the country was lurching toward a dictatorship. Meanwhile, the legislature has begun the process of removing pro-government Supreme Court justices. Is the relationship among Venezuela's branches of government irreparably damaged? How can the country resolve this constitutional deadlock? Is violence in Venezuela likely to spin out of control and lead to regime change before next year's scheduled elections?

A Michael Shifter, president of the Inter-American Dialogue: "Not surprisingly, the Venezuelan Supreme Court's decision to dissolve the National Assembly, albeit partially rescinded, provoked an international outcry as well as the most significant street protests in Venezuela since 2014. The government's arbitrary and unjustified decision to bar opposition leader Henrique Capriles from running for office further aggravated the tension and rancor and fueled the constitutional crisis between the executive and legislative powers. So far, attempts at dialogue between fractured opposition forces and a largely intransigent government—with factions that seem prepared to close ranks—have failed to yield positive results. In light of the extreme gravity of the country's conditions, there is always the chance that violence could

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Domestic and foreign companies are expected to invest the money, making good on previously announced investments, said the head of the government's Investment and Trade Promotion Agency.

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The inaugural flight was the first to be operated to Latin America by a domestic Chinese carrier.

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Brazilian Supreme Court Justice OKs New Investigations

Edson Fachin, the Supreme Court justice overseeing the massive Petrobras graft investigation, approved new investigations of dozens of politicians. The probes target nearly a third of President Michel Temer's cabinet.

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Fachin // File Photo: Brazilian Government.

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POLITICAL NEWS

Brazilian Judge OKs Investigations of Dozens of Politicians

A Brazilian Supreme Court justice on Tuesday approved new corruption investigations into the activities of dozens of politicians, including nearly a third of President Michel Temer's cabinet and the leaders of both chambers of Congress. In all, Justice Edson Fachin approved more than 74 investigations, including probes of 60 sitting members of Congress and Temer's powerful chief of staff, Eliseu Padilha. The country's ministers for foreign affairs, agriculture, commerce and trade, as well as the secretary-general of the presidency, Moreira Franco, are also targeted in the probe. Fachin is overseeing cases related to the sprawling corruption cash involving state-run oil company Petrobras. "This is hitting at the heart of government, especially as these are important ministers for Temer," Rafael Cortez, a political scientist at the Tendências consultancy in São Paulo, told the newspaper. "This will create even more turbulence and increase the urgency to pass economic reforms." Thiago de Aragão of political consulting group Arko Advice in Brasília said the investigation was likely the largest ever of politicians in Brazil. "The list is enormous … it shows that the [political] environment was rotten," he told The Wall Street Journal. Brazil's Senate president, Eunicio Oliveira, said he would defend himself against any allegations. The newspaper was unable to reach Chamber of Deputies Speaker Rodrigo Maia for comment. Some of the politicians from Temer's Brazilian Democratic Movement Party as well as the leftist Workers' Party who are being targeted were already the subjects of slower-moving corruption investigations, The New York Times reported. Also, members of Temer's cabinet and sitting members of Congress are shielded by special protections that effectively prevent many of them from being imprisoned. "The cost in terms of reputation is low since this is something that's already priced in," Marcus Melo, a political scientist at the Federal University of Pernambuco, wrote in an analysis published in local daily newspaper O Estado de S.Paulo. In his ruling, Fachin noted that prosecutors had reviewed evidence including "mentions of the participation of Michel Temer" in connection with investigations of some of his top allies. However, Fachin also said Temer has "temporary immunity" that prevents him from being investigated for actions that did not occur during his presidency, which lasts until the end of next year. [Editor's note: See **Q&A** on corruption in Brazil in the Feb. 8 issue of the Advisor.]

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spread and even get out of control. More likely, however, is that violence will be largely contained, the government will hold on, and the country will hold presidential elections late next year. At that time, Chavismo will face its most severe test in two decades, and will probably be voted out of office, given the widespread misery and discontent. In the meantime, the opposition needs to focus on developing effective leadership and a broadly appealing alternative vision and set of policies for Venezuela. To be sure, such a scenario will confront enormous obstacles, as many government officials will resist giving up power. There are many interests, and a lot of money, at stake. In this context, the international community should play a constructive role and apply pressure to ensure that at least minimally acceptable conditions for electoral competition are met."

Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest: "The Supreme Court did not seek to dissolve the legislature; it undertook a catastrophically clumsy intervention that specifically focused on the issue of authority to negotiate joint ventures in the

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NEWS BRIEFS

Protesters Hurl Objects at Venezuela's Maduro

Venezuelans threw objects and jeered at President Nicolás Maduro at the close of a rally on Tuesday amid mounting protests against the unpopular leftist leader over an economic and political crisis, Reuters reported. Television footage showed a crowd swarming the vehicle Maduro was standing on as he waved goodbye at the end of a military event in San Felix in the southeastern state of Bolívar. Five youth males were arrested for throwing "sharp objects" at the vehicle, according to a report by a local National Guard division. Further details were not immediately available, and the Information Ministry did not respond to a request for comment.

China Southern Airlines Begins Flights to Mexico

China Southern Airlines flew its inaugural flight from Guangzhou to Mexico City via Vancouver, the first route from China to a Latin American country to be operated by a domestic Chinese carrier, the Mexican government said Tuesday, Reuters reported. In recent years, Chinese tourism to Mexico has been on the rise, with 74,300 Chinese tourists visiting Mexico last year, up 35.5 percent year-over-year. The Mexican government expects more than 100,000 Chinese tourists to visit the country this year.

Brazil to Hold New Round of Oil Auctions in November

Brazil's National Energy Council on Tuesday said a third round of pre-salt auctions in four areas in the Santos and Campos Basins would be held in November, Reuters reported Tuesday. The areas for the auction include the Pau-Brasil, Peroba, Alto de Cabo Frio Oeste and Alto de Cabo Frio Central prospects, according to a document released by the National Energy Council.

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ECONOMIC NEWS

Argentina Expecting $14 Billion in Investment This Year

Domestic and foreign companies are expected to invest $14 billion in Argentina this year, making good on previously announced investments, said Juan Procaccini, the head of the government's Investment and Trade Promotion Agency, Reuters reported Tuesday. Though President Mauricio Macri's government has struggled to bring in promised investments during his first year in office, the administration is much more optimistic about this year, Procaccini said. "The first year we had so many things to do in terms of ... becoming again a normal economy," he said. "Now, we're enjoying the fruits of that effort." He added that his agency, which Macri created after taking office at the end of 2015, is working with investors to bring in another $12.5 billion in investments in projects that have not yet been announced. Investors were often wary of Macri's predecessor, President Cristina Fernández de Kirchner, and her populist economic policies, and they had been waiting to see if Macri's market-friendly reforms would remain in place. Foreign direct investment reached only $5.7 billion last year, down from $11.8 billion the year before, contributing to an economic contraction of 2.3 percent. Procaccini said the government's goal is to attract annual FDI of between $20 billion and $25 billion. The 2016 contraction was also due in part to companies repatriating their profits outside Argentina after Macri lifted capital controls. [Editor's note: See Q&A on Argentina's economy in the April 3 issue of the Advisor.]

Procaccini // File Photo: Argentine Government.

BUSINESS NEWS

Mexican Brokerage Group Seeks Probe of Elektra's Price Surge

Members of Mexico's association of brokerages last week asked officials from the country's stock exchange to look into the recent surge in the stock price of banking and retail company Elektra, three members of the association said, Reuters reported. Elektra, which runs appliance stores that offer banking and money-transfer services, saw the value of its shares go up by more than 166 percent this year, trading at a five-year high of 701 pesos per share, compared to a 9 percent gain in Mexico's IPC stock index. The company's market capitalization has doubled to almost 164 billion pesos, or $8.7 billion, according to Reuters data. Members of the analysis committee of the Mexican Association of Stock Institutions on Thursday asked a representative from Mexico's stock exchange to look into Elektra's gains, though the committee does not have any formal power to request action from the Mexican exchange or its regulator. The Mexican stock exchange said it does not comment on individual stock moves. Elektra referred to a recent series of statements in which the company said it was not aware of the cause behind the price gains. Elektra is controlled by Mexican billionaire Ricardo Salinas, who had a run-in with the U.S. Securities and Exchange Commission in 2005. Salinas withdrew Elektra and two other companies from their New York listings after he became the target of an SEC fraud investigation.

THE DIALOGUE CONTINUES

How Well Is Mexico Battling Organized Crime?

Q Mexico's Chihuahua state is unable to tackle its problems with organized crime and needs more federal help, Governor Javier Corral said last month. Corral added that the country's federal government is "notably absent" in the fight against violence in the northern border state. More than four years into his term, how well has President Enrique Peña Nieto addressed organized crime in Mexico? What must he do in order to combat drug cartels and other criminals more effectively? What is the outlook for security cooperation between Mexico and the United States during U.S. President Donald Trump's administration?

A Steven Dudley, co-director of InSight Crime: "President Peña Nieto has failed to respond adequately to the challenge of organized crime and corruption. Chihuahua is just the latest example. Sinaloa, Tamaulipas, Guerrero, Puebla and many other states are also in crisis. The states' reflexive response to ask for federal assistance is indicative of their own failures, but they reflect a larger truth: Mexico has not advanced in its ability to deal with criminal groups that seek and obtain rents from local criminal activities. While the rhetoric continues to spin around international rent-seeking organizations, the reality is that it is the democratization of the underworld—where there are low barriers of entry into multiple criminal schemes, from extortion to gasoline theft to petty drug dealing—that has led to another surge of homicides in the country. And neither the federal nor the state governments have done much to prepare or deal with this democratization. Until they do, expect Mexico's descent to continue."

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

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oil sector—and it was forced to quickly reign back. Inter-governmental relations cannot be repaired; the country is in a state of constitutional impasse and institutional paralysis. Seemingly, both sides in this intractable conflict prefer the situation this way, as it plays well to their narrow base of loyalists. Neither the government nor the opposition want to be seen conceding ground, both lack a broad popular mandate for the directions they have taken, and they have locked the country into a destructive zero-sum game. Violence and protests will undoubtedly continue, largely intended as a means of demonstrating strength of numbers. The recent, and equally clumsy, interventions by OAS head Luis Almagro and the chief of the U.S. Southern Command, Admiral Kurt Tidd, will further incentivize 'resistance' from both sides. The only way this vicious cycle can be stopped is through meaningful dialogue, not half-hearted, attention-seeking engagement, but effective and internationally supported negotiation with the plurality of government and opposition factions and also with civil society and the multiple interests ignored by the ruling PSUV and the opposition MUD coalition. Forcing regime change outside of a negotiated schedule of elections will deepen rather than alleviate Venezuela's deep structural crisis and will foist onto Venezuelans yet another government of dubious legitimacy and negligible authority."

Francisco Márquez Lara, nonresident fellow at The Ash Center for Democratic Governance and Innovation at Harvard University's John F. Kennedy School of Government: "The Venezuelan Supreme Court has issued more than 50 rulings that have effectively gutted the National Assembly. What made this last decision 'the straw that broke the camel's back' was how unabashed it was in its language. The decision states: 'this Constitutional Chamber of the Court guarantees that the parliamentary powers will be exercised directly by this body or any other body designated by this court.' This language was so obscenely outside of any democratic norm that it persuaded many countries that have otherwise been silent on Venezuela to finally speak out. Furthermore, the Supreme Court suppressed only a small segment out of the entire ruling, while leaving the rest of its more than 50 rulings intact and the rest of the ruling N.156. That ruling allows for contracts of national interest to be approved by the Constitutional Chamber, a power that the Venezuelan Constitution explicitly delegates to the National Assembly. Saying that in Venezuela there is a 'conflict of branches' misses the real issue. What has happened over the last 10 years has been a systematic dismantling of democratic institutions. The innovative aspect of the Chávez and Maduro regime has been killing democracy by a thousand cuts. The final cut heard around the world was done with an axe, so it was a lot harder to hide. Under these circumstances, we have seen more than a week of nationwide protests, where the main petition has been asking for an electoral calendar to be announced. The response has been brutal repression with hundreds of arrests and an ever-increasing list of political prisoners. The challenge of the Venezuelan people has always been to use non-violent tactics and democratic tools to change a dictatorship."

> **"What has happened over the last 10 years has been a systematic dismantling of democratic institutions."**
>
> **— Francisco Márquez Lara**

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

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