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FEATURED Q&A

What Does Temer's Political Survival Mean for Brazil?



Brazilian President Michel Temer survived a vote in Congress last week that could have led to him being put on trial before the country's Supreme Court. He is pictured leaving a Brasília hospital on Oct. 25 after undergoing medical tests. // File Photo: Brazilian Government.

Q The lower house of Brazil's Congress on Oct. 25 voted to spare President Michel Temer from a trial before the country's Supreme Court on charges of criminal organization and obstruction of justice. To what can Temer attribute his survival? What does the Chamber of Deputies vote mean for Temer's agenda and prospects for economic recovery? What key reforms will now go forward, and which will be stalled? Does the chamber's vote to protect Temer weaken the country's fight against corruption?

A João Augusto de Castro Neves, Latin America director, and Filipe Carvalho, researcher, both at the Eurasia Group: "Temer's survival came from three key factors. First, the second indictment against the president left former prosecutor-general Rodrigo Janot weakened by allegations of wrongdoing in the signing of the JBS plea deal, giving the presidential palace some political cover to secure votes. Second, at a time of few resources for policymakers, siding with the president is the only game in town, given his political influence through budget amendments and political appointments for legislators and their allies. Third, the vote margin on the rejection of the first indictment against Temer, in August, indicated it would be very difficult for legislators to achieve the two-thirds majority necessary in the lower house to send the charges to the Supreme Court, thus increasing the costs of jumping the administration's ship. The Chamber of Deputies' vote ensures the continuity of the president's agenda. While the high political cost of approving fiscal reforms and a tight calendar have made the approval of pension reform more difficult, microeconomic reforms such as

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TODAY'S NEWS

ECONOMIC

Maduro Calls for Venezuela Debt Restructuring

The announcement by Venezuelan President Nicolás Maduro signaled that the country may be reaching the limits of its ability to continue paying its debt obligations.

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POLITICAL

Tribunal Rejects Ouster of Ecuador's Moreno as Head of Party

President Lenín Moreno argued that the decision to remove him as the head of the ruling party violated his rights.

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BUSINESS

Mexico Regulator Rules América Móvil Can Charge Rivals

The company, controlled by billionaire Carlos Slim, can begin charging competitors for calls made to customers on its network as of Jan. 1.

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Slim // File Photo: Carlos Slim Foundation.

ECONOMIC NEWS

Venezuela's Maduro Calls for Debt Restructuring

Venezuelan President Nicolás Maduro on Thursday called for a restructuring of the country's foreign debt, perhaps signaling that the battered economy was reaching its limits of being able to pay off its debt amid low oil prices and economic sanctions, The Washington Post reported. Maduro stopped short, however, of



Maduro // Fie Photo: Venezuelan Government.

declaring a default, as has been predicted in recent months. He added that the country would make a key \$1.1 billion bond payment today for state oil company PDVSA. During a televised address Thursday, Maduro blamed heightened U.S. sanctions from the Trump administration for the need to restructure the debt. Despite the economic crisis in Venezuela, Maduro has kept up with bond payments, as did his late predecessor, Hugo Chávez, continuing to pay foreign investors even as Venezuelans have been experiencing widespread food and medical shortages. Though some have called on Maduro to stop making bond payments, saying it's inhumane to do so while millions of Venezuelans are suffering, a default might worsen conditions in Venezuela and weaken Maduro's grip on power. If negotiations were to fail, creditors could try to seize Venezuelan assets overseas, taking the country's oil sector hostage and preventing the country from getting revenue from its primary source. Maduro said Vice President Tarek El Aissami would head up the national commission on restructuring, which could make negotiations

with creditors difficult, as El Aissami is on a U.S. sanctions list for alleged corruption and narco-trafficking.

POLITICAL NEWS

U.N., Colombia Sign Pact to Uproot Cocaine Business

The United Nations and Colombia's government on Thursday signed an agreement to work to uproot the country's cocaine business by weaning farmers off of growing coca, the raw material used to make the drug, Agence France-Presse reported. The \$315 million deal aims to transition farmers to other crops, such as coffee and cacao, the wire service reported. The initiative is an effort to free local communities from the control of drug traffickers, said the United Nations Office on Drugs and Crime, which is headquartered in Vienna. "This historical agreement is a unique opportunity to turn the tide against Colombia's coca cultivation and help farmers embrace alternative development," said the office's head, Yury Fedotov. Colombia's special post-conflict envoy, Rafael Pardo Rueda, said the partnership between the United Nations and Colombia's government was "fundamental" to the implementation of the peace accord that it signed with the Revolutionary Armed Forces of Colombia, or FARC, rebel group nearly a year ago. The FARC, which demobilized this year and has transitioned to a political party, for decades controlled key regions of the country where coca is produced. More than 11,000 FARC rebels handed their weapons over to the United Nations during the disarmament process, but 1,000 others refused and are still engaged in drug trafficking and illegal mining. Under the peace accord signed in November of last year, the rebels agreed to help farmers transition to crops other than coca. The United Nations established a new mission to aid former rebels in their return to the country's mainstream society. Coca growers have complained that the government has not delivered on its promises to substitute coca

NEWS BRIEFS

Ecuador Tribunal Rejects Moreno's Ouster as Head of Ruling Party

A tribunal in Ecuador rejected ruling party Alianza PAIS' decision to remove President Lenín Moreno as the head of the party, La República reported Wednesday. The decision was issued in response to a request as a precautionary measure submitted by Moreno, who said the decision violated his rights and had been done with procedural errors. The tribunal barred the National Electoral Council from approving Ricardo Patiño's appointment as the new head of the party, El Telégrafo reported.

Venezuela's Tal Cual Publishes Last Print Issue

Independent Venezuelan newspaper Tal Cual published its last print issue on Thursday, though it will continue to report on the country's political and economic crisis online as an Internet-only publication, the Associated Press reported. The paper was launched in 2000 by former leftist guerrilla fighter Teodoro Petkoff, and during its 17 years in print, Tal Cual has often confronted the government, drawing criticism from top leaders. The paper said its decision to move to a digital format was due to the scarcity of newsprint controlled by the Venezuelan government, and the high cost of importing paper on a budget.

Former Argentine Vice President Arrested

Former Argentine Vice President Amado Boudou was arrested today on charges of racketeering and money laundering, according to a person involved with the investigation, Reuters reported. Boudou served as vice president under former President Cristina Fernández de Kirchner and is the second top official from her government to face detention. Boudou has denied wrongdoing in the past, but could not be reached for comment after his arrest.

for other crops. The United Nations has ranked Colombia the world's top producer of coca. The country's area of coca cultivation soared 52 percent last year to 146,000 hectares (361,000 acres).

BUSINESS NEWS

Mexico Regulator Rules América Móvil Can Charge Rivals

Mexico's telecommunications regulator ruled Thursday that América Móvil, which is controlled by billionaire Carlos Slim, can start charging local competitors for mobile calls made to customers on its network, Reuters reported. América Móvil's inability to charge rivals for the calls had held back the companies

“The new interconnection tariff is a step backwards on the path toward delivering on the objective of the reforms.”

— AT&T spokesperson

earnings, and the regulator's decision marked a major win for the company. The regulator, known as IFT, said América Móvil can charge rival companies 0.028562 pesos per minute for calls made to its network beginning on Jan. 1. The ruling also allows competitors to charge 0.112799 pesos per minute for mobile calls made to their networks. The decision represented “a regulatory policy mechanism that aims to balance competition, reduce the disadvantages derived from the size of the network and allow smaller companies to have rate plans that put them in a competitive position,” the regulator said. The allowed rates were below those in a draft document by the IFT. Competitors of América Móvil, Mexico's dominant telecommunications provider, had urged the IFT to maintain the interconnection rates at zero or close to it. Among them, Grupo

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telecom and mining reforms, the extension of the Repetro program for the oil and gas sector, and a credit bureau reform will likely be approved by year-end. While the congressional vote to protect Temer can be seen as a setback for prosecutors, the vote will not weaken the institutional independence of the prosecutor's office, which will remain actively investigating political figures; nor will it affect the outcome of investigations, which will lead to better oversight on public contracts and improved corporate governance rules in the long-run.”

A Melvyn Levitsky, professor of international policy and practice at the University of Michigan's Gerald R. Ford School of Public Policy and former U.S. ambassador to

Brazil: “I believe President Temer was saved by a lack of enthusiasm on the part of his coalition and other federal deputies for yet another change in the presidency before the election campaign of 2018 begins. It's not clear that if Temer were to be removed from office that his successor would be able to finish his term either, as Chamber of Deputies President Rodrigo Maia, the next in line, has also been accused of corruption in the Operation Car Wash investigation. Rather than face the disruption involved in another changeover with a consequent reshuffling of the relatively recently reshuffled cabinet, the Chamber of Deputies opted to muddle through until the October 2018 elections,

Televisa said América Móvil should be allowed to charge no more than 0.015 pesos per minute. América Móvil declined to comment on the regulator's decision, but a spokesperson from rival AT&T said the regulator's move “helps the preponderant and harms consumers and competitors,” adding that the zero interconnection rate “brought more investment, more and better wireless services, and dramatically lower prices for millions of Mexican consumers.” The AT&T representative added, “We are disappointed because the new interconnection

giving Brazil another chance for a more stable government and for meaningful reforms. There has also been some improvement in Brazil's economic performance of late.

“The chamber did not want to change horses in midstream, even though that stream is filled with piranhas.”

— Melvyn Levitsky

Unemployment has continued its downward trend, and business and consumer confidence have somewhat improved. The chamber did not want to change horses in midstream, even though that stream is filled with piranhas. It appears that reform of the pension system may yet be possible before the election, although workers and government employees will likely protest loudly against reforms that remove their ability to retire at an early age. Finance Minister Henrique Meirelles, a possible presidential candidate, recently spoke optimistically about the chances of getting pension reform through the Brazilian Congress. If this occurs, the economy could take an increased turn upward, and investor confidence could return. Corruption will continue to be the cloud that hovers over and darkens the

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tariff is a step backwards on the path toward delivering on the objective of the reforms.” The decision to allow the charges followed a Mexican Supreme Court ruling in August that said América Móvil should not be prohibited by law from charging its rivals for calls made to its customers. The IFT, not Congress, should set the interconnection rates, the Supreme Court added in its August ruling. The high court's action weakened a part of Mexico's 2014 telecommunications sector reform, which was aimed at loosening Slim's control on the sector.

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political system, but there appears to be little support from Brazil's political class that would spur an effort to reform that system."

A **Carlos Eduardo Lins da Silva, global fellow at the Woodrow Wilson International Center for Scholars:** "The Chamber of Deputies vote that shelved the second indictment request against President Temer can be explained by the following. First is Temer's extreme ability to deal with his lifetime colleagues and his gift for horse-trading—shoring up support by doling out lawmakers' local pet projects—in exchange for their support. Second is the fact that less than one year before the 2018 election, many thought it would be too traumatic for the country to change presidents again. Finally, the economy is emerging from recession, unemployment is diminishing, people's purchase power is increasing, and this environment gives the president relief. However, Temer leaves the battle weaker than ever. It will be very difficult for him to pass any of the reforms in his agenda. Specifically, the crucial pension reform seems to be doomed. The president owes much to Chamber of Deputies Speaker Rodrigo Maia, who has converted himself into a kind of informal partner of Temer's remaining presidency, since any government initiative will depend on Maia's goodwill. Temer is likely to rule as

a lame duck until the end of his term Dec. 31, 2018. His survival is another defeat for Operation Car Wash, in a series of bad news that has been accumulating in the last couple of weeks. The Supreme Court's decision

“Temer leaves the battle weaker than ever. It will be very difficult for him to pass any of the reforms in his agenda.”

— Carlos Eduardo Lins da Silva

on a close vote to grant Congress the final word on removing legislators from office and the subsequent reinstatement of Senator Aécio Neves, a key Temer ally, were among this sequence of bad news. Lawmakers are feeling emboldened to propose legislation that would restrict prosecutors from investigating them. Nevertheless, Car Wash still has the support of a vast majority of Brazilians (82 percent according to the latest polls), and it might well overcome the recent hurdles placed in its way."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2017

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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

ISSN 2163-7962

Subscription inquiries are welcomed at freetrial@thedialogue.org

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