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FEATURED Q&A

Will U.S. Sanctions Weaken Maduro's Grip on Power?



The United States tightened sanctions last week against the government of Venezuelan President Nicolás Maduro. // File Photo: Venezuelan Government.

Q U.S. President Donald Trump on Aug. 5 signed an executive order escalating sanctions against Venezuela's government. The new measures freeze property and assets of President Nicolás Maduro's government and of individuals who assist it. U.S. National Security Advisor John Bolton called the move a "step to deny Maduro access to the global financial system and to further isolate him internationally." What effect will the sanctions have on Venezuela's government and on its population? How will Venezuelan, and foreign, businesses be affected? What will the tougher sanctions mean for Venezuela's economy, and to what extent could they hasten Maduro's exit from power?

A Michael Shifter, president of the Inter-American Dialogue:
"It is hard to be optimistic that the escalating sanctions that President Trump announced on Aug. 5 will achieve their intended effort—to dislodge Venezuela's dictator, Nicolás Maduro, from power and move to a democratic transition. That is not to say that the new, sweeping sanctions will not affect the regime, which has presided over a collapsing economy, massive human rights violations and a countrywide humanitarian crisis. But the question is whether these tough measures will succeed in persuading the upper echelons of the Venezuelan military to abandon Maduro, removing the regime's main pillar of support. If the sanctions do not work quickly, they will aggravate the already dire humanitarian situation in Venezuela and fuel the exodus from the country, now numbering more than four million people since 2015. The same happened with the U.S. economic sanctions announced in Jan-

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TODAY'S NEWS

POLITICAL

Puerto Rico Senate President Backs New Governor

Puerto Rico's new governor, Wanda Vázquez, received a nod of support from Senate President Thomas Rivera Schatz, who had earlier supported the island's representative to the U.S. Congress for the post.

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BUSINESS

Colombia's Grupo Sura Reports 2.3% Rise in Net Profit

The conglomerate said profits were driven by solid returns at firms where it has investments.

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ECONOMIC

Argentina's Macri Announces Economic Relief Measures

Three days after a stunning electoral loss, Argentine President Mauricio Macri announced a boost to the country's minimum wage, a temporary fuel-price freeze and other economic relief measures.

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Macri // File Photo: Argentine Government.

ECONOMIC NEWS

Argentina's Macri Unveils Economic Relief Measures

Argentine President Mauricio Macri on Wednesday announced several measures designed to help Argentines through the country's recession, including raising the minimum wage and temporarily freezing fuel prices, *La Nación* reported. The move comes after Macri's resounding defeat in the country's primary vote on Sunday, which he lost by more than



These are measures that are going to help 17 million workers and families."

— Mauricio Macri

15 percentage points to Peronist opposition candidate Alberto Fernández, who is running with former President Cristina Fernández de Kirchner as his vice president. Among the new measures, Macri introduced plans to help small businesses, increase government grants for students and give a bonus payment to state workers, including members of the armed forces and police. "These are measures that are going to help 17 million workers and families," he said, *The Wall Street Journal* reported. The country's economy shrank 5.8 percent in the first quarter of this year, as compared to the same period a year ago. Inflation is among the highest in the world, at 55.8 percent in June. The Argentine peso dwindled following Sunday's vote, and the Merval stock index in Buenos Aires plunged on Monday before steadying on Tuesday amid investors' concerns about a possible return of a government that advocates for interventionist economic policies, as Cristina Fernández's administration did from 2007 to 2015. "In the last 48 hours, it's clear that the political uncertainty has created a lot of damage, and that requires us to be responsible," Macri said on Wednesday. The first

round of the presidential election is scheduled for Oct. 27. [Editor's note: See related [Q&A](#) in Wednesday's issue of the Advisor.]

Panama Canal Will Continue Allowing Venezuelan Vessels

Venezuelan vessels will continue to be able to use the Panama Canal, as long as their crews provide the required paperwork, the canal authority's head said Wednesday, Reuters reported. Last week, U.S. President Donald Trump's administration tightened sanctions against Venezuela.

POLITICAL NEWS

President of Puerto Rico's Senate Voices Support for Vázquez

The president of Puerto Rico's Senate said Wednesday that he supports new Governor Wanda Vázquez, who took office last week after massive protests led to the ouster of disgraced former Governor Ricardo Rosselló and the U.S. territory's top court blocked Rosselló's hand-picked successor from the governorship, local news outlet *Metro* reported. "Now that Governor Wanda Vázquez has expressed and reiterated her wish to work from the governorship, any concern over it has been left behind," Thomas Rivera Schatz said in a statement posted on Twitter. "We must all work for Puerto Rico. The governor will have our collaboration, and I have expressed that personally," he added. Rivera had been seen as one of Vázquez's main challengers, the Associated Press reported. Vázquez, who previously served as the island's secretary of justice, had said she had no interest in being governor. Reports had suggested she would nominate Jenniffer González, who is currently Puerto Rico's resident commissioner in the U.S. Congress, as secretary of state and then resign

NEWS BRIEFS

At Least Six Killed in Chile Home Collapse

At least six people were killed in the Chilean port city of Valparaíso when a house collapsed on one of the hills that surround the city, the Associated Press reported Wednesday, citing the local fire department. Two children were rescued alive from the rubble, said Valparaíso Governor Jorge Martínez. "We cannot rule out more victims," in addition to the six who were found dead, said Martínez. The incident happened Tuesday night when the house collapsed onto a staircase that ascends up the Bellavista hill.

Mexico Justices Order Health Ministry to Issue Medical Marijuana Rules

Mexico's Supreme Court on Wednesday ordered the health ministry to issue regulations on medical marijuana use within six months, Reuters reported. The court said the ministry's failure to regulate medical marijuana after its legalization in 2017 had put rights at risk for patients, including children. The decision was part of a case involving a child who needed cannabis substance THC to treat epilepsy but wasn't able to access it. The ministry said in a statement that it would comply with the ruling.

Petrobras Pre-Pays \$3 Billion Loan With China Development Bank

Brazilian state oil company Petrobras has pre-paid a \$3 billion loan with China Development Bank, and it will also pre-pay a second loan of \$5 billion in December, the company said on Wednesday, Reuters reported. The advanced payments will end the "preferential supply obligation" of 100,000 barrels of oil equivalent per day to Chinese companies under market conditions and for the same period of the loan, Petrobras said.

to let her take over, as per the line of succession. However, González said on Wednesday that there was no vacancy for the governorship. "There is a governor for all Puerto Ricans, so let's get to work, the people of Puerto Rico want to get out of this uncertainty, the people of Puerto Rico want to get out of this crisis," González said, Metro reported. Puerto Ricans had initially called for Vázquez's resignation, but protests have since cooled. As justice secretary, Vázquez came under fire last year on allegations that she intervened on behalf of her daughter in a case related to a home theft. She was accused of violating ethics laws, but a judge later ruled she could not be arrested in the case because of insufficient evidence. [Editor's note: See related [Q&A](#) in the July 31 issue of the Advisor.]

BUSINESS NEWS

Colombia's Grupo Sura Reports 2.3% Rise in Net Profit

Colombian insurance conglomerate Grupo Sura on Wednesday reported a 2.3 percent increase in net profit, year-on-year, for the second quarter, Reuters reported. The company posted profit of 390 billion pesos (\$114.5 million) and told the country's financial regulator in a statement that the increase was the result of solid returns at companies where the conglomerate has investments as well as a lower level of spending on interest payments. The company's revenue increased 14.1 percent between April and June to 5.46 trillion pesos. Grupo Sura has investments in holdings including bank Bancolombia, industrial conglomerate Grupo Agros, insurance and pension providers Seguros Sura and Sura Asset Management, and food producer Grupo Nutresa. Altogether, Grupo Sura, which is headquartered in Medellín, has assets in 10 countries in Latin America. The conglomerate's total earnings before interest, taxes, depreciation and amortization, or EBITDA, rose 45 percent in the second quarter to 391 billion pesos.

FEATURED Q&A / Continued from page 1

uary, which sought to hurt the regime and oust Maduro from power but, having failed to do so, inflicted more pain and suffering on the Venezuelan people. It is not credible to argue that the impact of U.S. sanctions will be limited to the government. The threats and ultimatums coming from Washington in recent months—reiterated by National Security Advisor John Bolton in Lima on Aug. 7 following the announcement of the new round of sanctions—have been counterproductive. Most worrying, the United States now seems to be in the driver's seat in dealing with Venezuela, which undercuts the emerging consensus to pursue a political solution to end the hemisphere's worst crisis in memory."

A Gustavo Roosen, president of IESA in Caracas: "These measures seek to surround the assets that the dictatorial regime of Nicolás Maduro still has in the United States, in order to preserve them so that they may be managed by the government of Interim President Juan Guaidó, the only one recognized by the United States. This is already the case with the Citgo oil company in the United States. At the same

time, the sanctions aim to attack some of the regime's top officials who have not been penalized and to deepen sanctions against those who have already been included in the

““ These measures seek to surround the assets that the dictatorial regime of Nicolás Maduro still has in the United States...”

— Gustavo Roosen

lists. This will continue the weakening of civilians and military officers whose business gains are the main reason for their support of the regime. This may have been triggered by recent scandals related to the import of food for CLAP boxes (highly subsidized food that is sold only to specific lists of holders of the 'Carnet de la Patria') involving private individuals and family members of high-ranking government officials. All subsidized food products included in imported CLAP boxes can be manufactured in Venezuela. Therefore, tougher sanctions will help safeguard Venezuelan agribusinesses. The sanctions

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Brazil's Itaú Planning to Shift Card-Processing Strategy

Brazil's Itaú Unibanco is planning to shift its strategy for payment services in order to focus on its more profitable segments, Reuters reported Tuesday, citing a top executive at the bank. "We don't want to focus on card processing for our larger clients. That service should be priority for the mid-sized and small clients," Marcos Magalhães, the chief executive officer of Rede, Itaú's card-processing unit, told the wire service. The segment is profitable with smaller clients, he said. Three months ago, Rede zeroed out fees in receivables-backed

credit for those clients. Supplying card-processing services and machines to larger clients has not been profitable for Rede since the fourth quarter of last year, said Magalhães. He added that the card-processing unit has lost clients among large retailers, but he also said that the unit has been gaining market share among companies that have 30 million reais (\$7.6 million) in annual revenue or less. Itaú Unibanco has been offering its larger clients the use of its new payment application, it, which executes money transfers via QR codes. For those transactions, Itaú charges fees of as much as 1 percent. The new app was developed in order to satisfy clients' needs for simpler payment processing, said Magalhães. Brazil has some 10 million card-processing machines in operation, according to analysts.

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also allow the United States to sanction Russian and Chinese companies that are facilitating the diversion of funds in murky operations. Complaints made public by the island of Malta about Russian oil transfers are also proof of these opaque operations that seek to breathe life to the regime and enrich those who administer them.”

A **Maria Velez de Berliner, managing director of RTG-Red Team Group, Inc.:** “Broader sanctions will make the contraband, illegality and criminality that pervade Venezuela more profitable and will continue to keep Maduro, his inner circle and his supporters going. Sanctions will augment the erosion of Venezuela’s legal sector, while the illegal sector will continue to thrive. Broader sanctions aggravate the suffering of Venezuelans who lack the ‘Carnet de la Patria’ and, therefore, access to the Local Committees for Production and Supply (CLAP) boxes, meager as the content of those boxes may be. Most Venezuelans will continue to scavenge for food and lack basic needs. U.S. nationals and corporations must abide by U.S. sanctions. It is unclear whether other countries or foreign corporations will follow suit. The collapse of Venezuela promises profitable rebuilding opportunities, if those corporations ‘keep their noses clean’ while Venezuela slides down the precipice. The U.S. can levy all the sanctions it wants, but a fractious and divided opposition will

help Maduro stay. The recent public spat between opposition leaders Enrique Capriles and María Corina Machado is a harbinger of power struggles to come. The fractiousness

“**Sanctions will augment the erosion of Venezuela’s legal sector, while the illegal sector will continue to thrive.**”

— Maria Velez de Berliner

of the opposition will increase if Maduro, although retracted now but eventually and as promised, eliminates the National Assembly, which is presided over by Juan Guaidó, and calls for new legislative elections to again rig them in his favor. Sanctions do not seem to have had the power to dislodge Maduro. On the contrary, they have given Maduro the excuse of labeling the opposition as the ‘Boltonians’ (after U.S. National Security Advisor John Bolton), something that reminds Venezuelans and Latin Americans of the failed economic and military interventions of the United States in the region and the disastrous and long-lasting consequences of those interventions.”

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

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