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FEATURED Q&A

Is Russia Helping to Keep Venezuela's Maduro in Power?



Venezuelan President Nicolás Maduro and his Russian counterpart, Vladimir Putin, met last month in Moscow while world leaders gathered in New York for the U.N. General Assembly. // Photo: Russian Government.

Q While world leaders gathered last month in New York for the U.N. General Assembly meeting, the presidents of Venezuela and Russia were meeting in Moscow. Russian President Vladimir Putin reiterated his support for Venezuelan President Nicolás Maduro's government and said Russia would continue cooperating with Venezuela in areas including energy, food supplies and health care. What did Maduro accomplish on his latest trip to Moscow? How critical is Russia's backing of Venezuela as the South American country grapples with political and economic crises? What will the future bring in terms of Russian investment in Venezuela and the two countries' cooperation?

A Stephen Johnson, senior advisor for Latin America and the Caribbean at the International Republican Institute and former deputy assistant secretary of defense for Western hemisphere affairs: "Russia and Venezuela have been on each other's radar screens since at least 2001, when then-President Hugo Chávez flew to Moscow looking for an ally to promote a 'multi-polar world'—code for ending U.S. geopolitical dominance. That meeting happened just as Washington was seeking to build a national missile defense shield and Russia needed help from OPEC founding member Venezuela in boosting global oil prices. Over the next 18 years, their friendship blossomed. Russia increased its investment in Venezuela, reportedly loaning it some \$17 billion, selling it \$11.4 billion in military equipment like Sukhoi multirole fighters and exporting millions more in non-military

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TODAY'S NEWS

POLITICAL

Ecuador's Moreno Returns to Quito as Strike Shuttles Schools, Stores

Ecuadorean President Lenín Moreno returned his government to Quito in an apparent show of force as protests continued and as a general strike paralyzed commerce and closed schools.

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ECONOMIC

Oil Spill Likely From Venezuela: Brazilian Official

Oil that has been washing up and polluting Brazil's northeastern beaches likely came from Venezuela, Brazilian Environment Minister Ricardo Salles told a congressional hearing.

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POLITICAL

Colombia's FARC Political Party Expels Dissidents

Colombia's FARC political party expelled dissidents, including former rebel commander Iván Márquez, who issued a new call to arms in August.

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Márquez // File Photo: FARC.

POLITICAL NEWS

Moreno Returns to Quito as Strike Paralyzes Ecuador

In a surprise move, Ecuadorean President Lenin Moreno returned to Quito Wednesday after temporarily relocating his government away from the capital amid days of strikes and protests, The Wall Street Journal reported. At the same time, a general strike closed schools, stores and factories across the country. Protesters have disrupted commerce and transportation in Quito for a week to demonstrate against Moreno's decision Oct. 3 to eliminate fuel subsidies that cost state coffers more than a billion dollars annually. Looting and riots broke out in recent days, prompting Moreno to temporarily move the seat of his government to Guayaquil, but he returned to Quito on Wednesday in a move apparently aimed at showing his administration's strength. So far the number of injuries has been minimal, according to media reports. On Wednesday, stone-throwing demonstrators clashed with police using tear gas to fend off crowds, the Associated Press reported. But the demonstrators, made up largely of youth, labor union members and indigenous people,

struggled to get close to the presidential Carondelet palace, which has been sealed off by police barricades, according to the report. The Red Cross said it was suspending aid after volunteers had been attacked in several locations in recent days, the aid group said. [Editor's note: See related [Q&A](#) in the Oct. 4 issue of the Advisor.]

ECONOMIC NEWS

Mexico's Inflation Slows to Three-Year Low in September

Mexico's inflation slowed to a three-year low in September, coming in line with the central bank's 3 percent target and with expectations that the Bank of Mexico will continue to lower interest rates as the economy stalls, new data from the national statistics agency showed Wednesday, The Wall Street Journal reported. The country's consumer price index rose 0.26 percent last month from the end of September and increased 3 percent from one year ago, marking the lowest annual rate since September 2016. Core CPI, which does not include volatile prices, such as those of energy and

NEWS BRIEFS

Colombia's FARC Political Party Expels Dissidents Returning to Arms

Colombia's FARC political party announced Wednesday that it had expelled a group of dissidents who in August issued a new call to arms, Agence France-Presse reported. "The re-armament announcement disregards our national leadership," the FARC political party said in a statement, which was aimed at rebels including Iván Márquez and Jesús Santrich, who appeared in a video, saying they were returning to armed struggle and accusing the government of failing to adhere to its obligations under the country's 2016 peace deal. [Editor's note: See related [Q&A](#) in the Sept. 16 issue of the Advisor.]

CAF Denies Consideration of Loan for Venezuela

Multilateral lender CAF said Wednesday that it is not currently considering a \$400 million loan to Venezuela, Reuters reported. The development bank's statement contradicted Venezuelan opposition leader Juan Guaidó who said a day earlier that CAF was preparing financing for Venezuela that would not be administered by President Nicolás Maduro's government.

Goldman Sachs Eyes Sale of Stake in Mexico Toll Road Operator

New York-based investment firm Goldman Sachs is in advanced talks to sell a majority stake in the Red de Carreteras de Occidente, or RCO, one of Mexico's largest private toll road operators, Bloomberg News reported Wednesday, citing people familiar with the deal. Spain's Abertis Infraestructuras and Singapore's sovereign wealth fund GIC could pay some \$3.3 billion for a 70 percent stake in the company, according to the report. No final decision has been made and Goldman could opt to keep the asset or sell it to other suitors, the people said.

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goods, according to various accounts. Current stakes include building arms and munitions factories and investing in two gas fields off the Caribbean coast. To Venezuela, Russian assistance is a lifeline for its now collapsed economy. To Moscow, Venezuela is a convenient platform for aiding other populist authoritarian regimes in the region, such as Cuba. More importantly, President Putin sees Russian activities there as a strategic counterweight for perceived U.S. intervention in what he considers Russia's Eurasian backyard. For cheap, Putin only has to throw soup bones to the Nicolás Maduro regime, promote dialogue with Venezuela's democratic opposition to look diplomatic

and pour in enough troops to cause Venezuela's neighbors and Washington to shudder about intervening on their own. Maduro's meeting in Moscow, followed by Deputy Prime Minister Yury Borisov's trip to Caracas this past weekend, were calculated more to scare the United States than to provide any actual benefit to Venezuelans."

A Phil Gunson, senior analyst for the Andes region at International Crisis Group: "For all the talk of a 'strategic partnership,' the Venezuelan and Russian governments have very different views of their relationship. For President Maduro, the backing of Russia,

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agricultural products, was up 0.30 percent in September from the previous month, bringing the annual rate to 3.75 percent, from 3.78 in August. In a Banxico poll last month, economists lowered their median year-end inflation forecast to 3.07 percent from 3.36 percent in August, The Wall Street Journal reported. The estimate for core CPI remained about the same, at 3.63 percent. "Core services inflation was impacted by the seasonal increase in education costs but benefited from lower professional service costs and declining prices for Internet/TV/phone packages," Alberto Ramos of Goldman Sachs said in a note. Banxico cut its benchmark interest rate in August and in September, each time by 25 basis points, Reuters reported. Another rate cut is expected in November. [Editor's note: See related [Q&A](#) in the Sept. 10 issue of the Advisor.]

Oil Spill Likely From Venezuela: Brazil's Environment Chief

Brazilian Environment Minister Ricardo Salles said Wednesday that the oil polluting the country's northeastern beaches is "very likely from Venezuela," citing a report by Brazilian state oil company Petrobras, Reuters reported. Salles told a congressional hearing that "all indications" suggest that a foreign vessel near the Brazilian coast caused the spill "accidental-



Salles // File Photo: Brazilian Government.

ly or not," adding that the spill is "enormously difficult to contain," the wire service reported. Earlier this week, Brazilian President Jair Bolsonaro said the oil found was not produced or sold in Brazil and suggested instead that it could be the result of criminal activity or a shipwreck. The origin of the spill is still being

THE DIALOGUE CONTINUES

Is the USMCA Deal Doomed If Congress Fails to Ratify It?

Q **Nearly a year after U.S. President Donald Trump's administration reached a trilateral agreement on the United States-Mexico-Canada, or USMCA, trade pact, the U.S. Congress has yet to ratify the deal. Meanwhile, the U.S. manufacturing sector saw the worst reading in 10 years, and Mexico's manufacturing sector ended the third quarter with its worst performance in eight years, according to an IHS Markit survey. How likely is the U.S. Congress to approve USMCA this year, and what sorts of complications would pushing its ratification into 2020 bring? How are political dynamics affecting the deal's passage? If the trade pact is delayed further, to what extent will North America's manufacturers suffer?**

A **Carlo Dade, director of the Centre for Trade and Investment Policy at the Canada West Foundation and member of the Mexican Council on Foreign Relations:** "The United States is not alone in not having ratified the new North American trade agreement; Canada, which is now in the midst of a federal election, has also failed to ratify it. The agreement has not featured prominently in campaigning in Canada, being relegated to a second-tier issue in the general public debates. What discussion has occurred indicates that both parties most likely to form a new government, the Liberals and Conservatives, would support ratification. Parties that may play a role if there were to be a minority government, the left-of-center New Democrats and Greens,

investigated. Bolsonaro told reporters on Monday that "it could be something criminal, it could be an accidental spill, it could also be a ship that sank," Reuters reported. Petrobras said this week that molecular tests of oil samples showed they are not compatible with

are less unequivocal in their support. In the Canadian context, this is important as ratification occurs through passage by the cabinet, not by a vote in parliament. In Canada, the governor-in-council prepares an order-in-council authorizing the minister of foreign affairs to sign an instrument of ratification or accession; debate and voting in parliament are advisory and symbolic. Should the coming federal election produce a minority government, the ratification of the new agreement could become a very public political bargaining chip. This could add fuel to ongoing debates in the United States for changes to the agreement, especially by left-of-center groups. Bizarrely, the current Canadian government chose not to join Mexico in ratifying the agreement. This would have helped reinforce to those arguing for changes and to the general public that renegotiation is not possible. It also would have avoided potential ratification complications under a minority government scenario. On the importance a new agreement, it is as, if not more, important for agriculture than manufacturing. Canada and Mexico are the United States' largest agricultural trading partners. Given the hits that U.S. and Canadian agricultural exporters have taken from China, disruption in each countries' largest markets would be severe."

EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in Wednesday's issue of the Advisor.

the oils the firm produces and sells. In recent weeks, environmental agencies in Brazil have collected more than 100 metric tons of oil across hundreds of kilometers of coastline in the state of Sergipe, Salles has said, according to the report.

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with its permanent seat on the U.N. Security Council and its adversarial stance vis-à-vis Washington, is a crucial asset, even though Moscow has made it clear it cannot and will not bail him out financially, instead limiting its economic co-operation to facilitating oil exports and engaging in a number of joint mining ventures. For Vladimir Putin, Venezuela represents a relatively low-cost means of posing as a global power-broker (if not an actual global power), with a presence in the Western Hemisphere that

“The Russian president wants above all to avoid Venezuela falling into the U.S. sphere of influence.”

—Phil Gunson

enables the Kremlin to put a brake on U.S. pretensions. The Russian president wants above all to avoid Venezuela falling into the U.S. sphere of influence. A win for Trump, in this zero-sum game, would be seen as a net loss for Russia. But Russian officials long ago ran out of patience with the mismanagement and corruption of Maduro's government. Contrary to popular belief, Russia's advice (particularly on the economic front) is disregarded. And while Russia has a 'pro-dialogue' stance, the idea that Putin is a puppet-master who can instruct Maduro—or indeed is interested in instructing Maduro—to negotiate or not is wide of the mark. As with the ending of Russian financial support, the days of massive arms transfers are also long gone. Venezuela has run out of money, and Russian military involvement is mostly

limited to the fulfilment of existing maintenance and support contracts, the occasional high-profile visit notwithstanding.”

A **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:** “Maduro attempted to create a false impression in Venezuela of continued Russian political, military and economic support to face the increasing U.S. sanctions. Russia's backing of Maduro is marginal, as Putin's people see a rapidly collapsing regime and are concerned by the negative implications of Russia backing up a regime condemned not only for gross violations of human rights, but also as a narco tyranny. In addition, Maduro's two nephews are in prison in Florida for narcotrafficking, and one of them is his adopted son. This reality does not help Russia's relations in Latin America. Future Russian cooperation with Venezuela will definitely be rhetorical support rather than a real commitment, as illustrated by Foreign Minister Sergey Lavrov's intervention at the opening of the U.N. General Assembly when he said that Russia rejects attempts to return to the rules of the time of the Monroe Doctrine in Latin America. To better illustrate this point, last week while Russian Prime Minister Dmitry Medvedev visited Havana to sign \$330 million in investments, Putin sent the Russian deputy Prime Minister Yuri Borisov to Caracas to sign 264 agreements but no investments.”

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 © 2019

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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 ebrand@thedialogue.org

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