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FEATURED Q&A

Are Market Reforms Bringing Venezuela's Economy to Life?



Venezuelan President Nicolás Maduro has started allowing some free-market reforms in the Andean nation. // File Photo: Venezuelan Government.

Q Amid a shattered economy that has contracted some 60 percent during his tenure and which is expected to contract another 10 percent this year, Venezuelan President Nicolás Maduro has reportedly started to allow some free-market reforms. The changes include looser regulations and tax incentives for businesses, according to The Wall Street Journal. Last May, Maduro's government ended some foreign-currency controls for banks and allowed U.S. dollars to circulate freely. To what extent are these changes improving Venezuela's economy? What role is the country's digital currency, the petro, having on the economy? Will Maduro's reforms benefit Venezuelans across socioeconomic lines, or will they widen the gap between the rich and the poor?

A Daniel Lansberg-Rodríguez, Latin America director at Greenmantle, a macroeconomic and geopolitical advisory, and a faculty member at Northwestern University's Kellogg School of Management: "Over the past year, Maduro's newfound market pragmatism has created a false sense of economic recovery. On the one hand, many Caracas businesses have reopened and are profitable again, so there is a semblance of economic normalcy within the elite bubble with access to U.S. dollars, largely unseen since the very early years of post-Chávez chavismo. Within this elite Caraqueño bubble, consumer and luxury goods, while relatively expensive in dollar terms, are no longer scarce. Nutella is suddenly more readily available in Prados del Este than in Italy's Piedmont region. Outside of the bubble capital, however, living

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Gunmen Storm Honduran Court to Free Top Gang Leader

Some 20 heavily armed men stormed into a court building in northwest Honduras and freed Alexander Mendoza, a senior leader of the MS-13 gang.

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Banco BTG Pactual Reports 42% Rise in Profit

The Brazilian investment bank said its revenue rose across all business units. BTG Pactual also continued to grow its loan portfolio.

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Ecuador Wants U.S. to Eliminate Tariffs on Key Exports

Ecuador is seeking to persuade the United States to eliminate tariffs on exports of several agricultural goods, said Economy and Finance Minister Richard Martínez Alvarado.

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Martínez // File Photo: Ecuadorean Government.

POLITICAL NEWS

Gunmen Storm Into Honduran Court to Free MS-13 Leader

About 20 heavily armed men in military fatigues and police uniforms stormed into a court building in northwest Honduras on Thursday, freeing a senior leader of the notorious MS-13 gang and killing at least four police officers, officials say, BBC News reported. Alexander Mendoza, known as “El Porky,” had arrived moments earlier for a trial hearing in the El Progreso municipality, escorted by security forces. Video footage shows a handcuffed man dressed in a white tank top, believed to be Mendoza, being carried into the building by security forces when armed men dressed in similar uniforms arrive and force people into

SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Monday, Feb. 17 in observance of the Presidents’ Day holiday in the United States. We will resume publishing on Tuesday, Feb. 18.

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standards continue to plummet. Soaring inequality is no longer relegated to class but increasingly to geography, with the central government’s authority increasingly limited geographically to the capital and the major ports (alongside a few key border, military or resource-producing regions). Loyalist regional governors, many of them military, have been acting more independently as resource transfers have disappeared, increasingly exploiting their territories as lucrative private fiefs. What we’re witnessing is not so much an embryonic economic recovery as a ‘Pyongyangification’ of Caracas, and this ultimately serves to solidify the Madurillatos’ hold on power. While recent economic measures will serve to lubricate the economy in the short term, increased facility of trans-

rooms. Minutes later, the man in the white tank top reappears, with no handcuffs and apparently carrying a machine gun and a pistol, on his way out of the building. A shootout between the gunmen and security forces ensues. Three people were wounded in the attack, and one of the suspects was killed. The MS-13 gang was founded by Salvadorans in Los Angeles in the 1980s and spread to El Salvador, Honduras and Guatemala as a result of U.S. deportations, Reuters reported. Mendoza had been captured in 2015 and was sentenced to 20 years in jail on charges of illicit association and money laundering. Honduran President Juan Orlando Hernández offered a reward of 2 million lempiras (\$80,000) for information that leads to Mendoza’s capture.

BUSINESS NEWS

Spanish Court Orders Ex-Pemex Chief to Be Held

A Spanish court ruled on Thursday that Emilio Lozoya, a former head of Mexican state oil

action also reopens avenues for corruption that had previously been shuttered by the collapse of the import subsidy system and international sanctions, allowing for a return to the kleptocratic norms of the past, and for the central government to more easily secure support from necessary allies—internationally, such as Russia and Turkey, as well as among domestic state governments and key figures within the military and security forces. In short, what Maduro is doing is the economic equivalent of when Victorian scientists would strap electrodes to dead frogs to set them twitching. We’ll get an ephemeral, illusory reanimation, but never a return to life—and by the end, the laboratory will stink to high heaven if it hasn’t been burned down entirely.”

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NEWS BRIEFS

Ecuador Wants U.S. to Eliminate Tariffs on Key Exports

Ecuador is seeking to persuade the United States to eliminate tariffs on exports of broccoli, artichokes, tuna and roses, as part of talks aimed at boosting trade relations between the two countries, Economy and Finance Minister Richard Martínez Alvarado said Thursday, The Wall Street Journal reported. His remarks came a day after Ecuadorean President Lenín Moreno met with his U.S. counterpart, Donald Trump, at the White House. A delegation of U.S. trade and investment officials is scheduled to visit the Andean country in April to explore ways to strengthen trade and investment with Ecuador.

Mexican Central Bank Lowers Benchmark Rate by Quarter Point

Mexico’s central bank on Thursday lowered its benchmark interest rate by 25 basis points to 7 percent in an effort to stimulate an economy that fell into a recession last year, the Associated Press reported. The Bank of Mexico in a statement mentioned “characteristics of deceleration, low inflation, accommodative monetary postures and lower interest rates” in the world economy. Mexico had forecast GDP growth of 2 percent last year, but the economy expanded just 0.1 percent in the first half of the year and stagnated in the second half.

Argentine Central Bank Cuts Interest Rate as Inflation Slows

Argentina’s central bank on Thursday cut its benchmark interest rate to 44 percent from 48 percent as inflation slowed, the bank said in a statement. The interest rate cut was the bank’s sixth in less than two months, Bloomberg News reported. Inflation slowed to 2.3 percent in January as compared to December, according to the national statistics agency.

company Pemex, must remain in custody while an extradition case against him is heard, the Associated Press reported. A judge decided that Lozoya is a flight risk, according to a statement from the National Court in Madrid. Spanish authorities arrested him a day earlier near the southern port city of Málaga in Spain on charges of tax fraud and bribery at the request of Mexico's special prosecutor's office. Lozoya had been missing since May, when Mexican authorities accused him of receiving bribes in connection with Pemex's purchase of a fertilizer plant in 2014 for nearly \$500 million when it was valued at 10 percent of that cost, Reuters reported. Lozoya has denied wrongdoing and alleges he is being politically persecuted. Mexico said it would seek his extradition, and the Spanish court gave it 45 days to do so. When he was arrested Wednesday, Lozoya had a driving license with his photograph but a different name, according to a court statement, the AP reported. He is one of the most high-profile arrests for alleged corruption under the current government of President Andrés Manuel López Obrador, who was elected on his promise to root out graft in the North American country. When asked about Lozoya's arrest on Thursday, López Obrador replied that "we must not give truce to corruption," Reuters reported. Lozoya led Pemex between 2012 and 2016. [Editor's note: See related [Q&A](#) in the June 7 issue of the Energy Advisor.]

Brazil's BTG Pactual Reports 42% Rise in Profit for Q4

Brazilian investment bank BTG Pactual on Thursday posted a 42 percent increase in net income for the fourth quarter as revenue rose across all business units, Reuters reported. Pactual's recurring net income for the quarter was 1.010 billion reais (\$232.17 million), in line with analysts' expectations, the wire service reported. The investment bank's revenue jumped 61 percent in the fourth quarter as compared to the same period a year earlier, to 2.486 billion reais. The bank reported a 21 percent increase in operating expenses, including employee bonuses, in the final three months of the year,

COMINGS & GOINGS

Trump Administration Names Career Border Patrol Official to Head Agency

The administration of U.S. President Donald Trump on Jan. 24 announced Rodney Scott as the new head of the U.S. Border Patrol, the Associated Press reported. A career official at the agency, Scott most recently led Border Patrol's sector in San Diego, Calif., where he has spent much of his career. He became an agent when San Diego was the most common corridor for migrants coming into the United States, and it was in that city where wall construction began in the 1990s, which has influenced Scott's view that barriers work to curb illegal migration, according to the report. "It wasn't, 'Do it in San Diego and stop,'" he told the Associated Press last year. "It was, 'Let's prove what works and then let's copy it on the southwest border so we can improve security for the whole United States.'" He is succeeding Carla Provost, who is retiring.

McLarty Announces Changes in Brazil & Southern Cone Practices

McLarty Associates last month announced the promotion of Gabrielle Trebat to managing director for Brazil and the Southern Cone, assuming lead responsibility for the practice. Trebat joined McLarty in 2011 from the U.S. Treasury Department. In her new position, she will continue her principal focus on Brazil and Chile, according to the statement. Meanwhile, Kezia McKeague, who heads the firm's Argentina practice, will be dividing her time this year between Washington and Buenos Aires, in light of the rapidly evolving political and business climate in the South American country, the statement said. McKeague previously led government relations at the Washington office of the Council of the Americas and served on the staff of the U.S. Senate Foreign Relations Committee.

FTI Consulting Expands Office in Brazil

FTI Consulting last month announced the appointments of Thyago Mathias as senior director and Adriana Prado as director in the firm's strategic communications segment, both based in São Paulo, Brazil. Mathias has more than 15 years of experience in advocacy, crisis management, market intelligence and reputation management in several industries, while Prado has spent more than 15 years advising major retail, technology, consumer goods, infrastructure and global financial services companies, according to the statement. Mathias has previously served as external relations advisor to the presidency of the legislative assembly of Rio de Janeiro state, as well as a consultant at the Getúlio Vargas Foundation. Prado specializes in the intersection of communications, cybersecurity, data protection and privacy, and most recently worked as a director at a global communications consultancy.

but gains at the bank's trading desk, proprietary investments, corporate lending unit and investment banking division offset those expenses. BTG Pactual also continued to grow its loan portfolio in the fourth quarter as it reported an

increase of 11.5 percent year-on-year to 43.8 billion reais. The bank has increased its lending outside Brazil and last November said it was planning to extend more loans to borrowers in Chile and Colombia.

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A **Betilde Muñoz Pogossian, director of the Department of Social Inclusion at the Organization of American States:**

“Venezuelans have been suffering for years; their material well-being is devastated. Nicolás Maduro’s recent free-market-oriented economic measures seem to be coming from desperation. The regime’s proposed economic model has proven unsustainable, and the international pressure, especially after interim President Guaidó’s 23-day international tour, is forcing his hand. The measures are the only way to delay the eventual

“**Nicolás Maduro’s recent free-market-oriented economic measures seem to be coming from desperation.**”

— **Betilde Muñoz Pogossian**

economic collapse facing the country and keep his grip on power. Whereas blockchain technology and cryptocurrencies can be useful and a mechanism to solve immediate humanitarian challenges (with the proper ecosystem and regulations) and can have a positive impact in people’s purchasing power, it is concerning that Maduro is fictitiously using the petro—or let us say, counting on the petro—to activate the economy. The issue here is that economic reforms have to be multidimensional and integral. Palliative measures, some inspired by a free-market approach, will not be enough and will probably deepen the astonishing levels of economic inequality that have paradoxically increased in Maduro’s Venezuela. Poverty

is rampant, although a small few connected to the regime continue to enjoy luxuries and access to economic opportunities that the vast majority of Venezuelans do not have.”

A **Gregory Wilpert, managing editor at The Real News Network:** “Venezuela’s economy is now, for all practical purposes, almost completely dollarized. The bolívar still circulates and is still used for some bank transactions, but the dollar determines prices and most transactions. This dollarization signals the end of currency controls and creates a more stable environment for economic activity, which is why the economy has been slowly picking up recently. However, the main impediment to a real economic recovery in Venezuela has nothing to do with the Maduro government’s economic policies, but rests entirely on the economic sanctions that the Trump administration has imposed on Venezuela since mid-2017. Trump has been intensifying these sanctions steadily since then, making it increasingly impossible for the Venezuelan government to sell its oil and to purchase replacement parts for its oil industry, its aging infrastructure, and for public and private transportation. As a result, Venezuela’s economy has become more dual than ever. Those among the population with access to dollars—either because of their involvement in import/export businesses or because of remittances—are doing quite well, while those without access to dollars continue to suffer tremendously from the country’s worst recession in history.”

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