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FEATURED Q&A

How Aggressive Will Venezuela's New Assembly Be?



After winning control of Venezuela's National Assembly earlier this month, members of the opposition vowed to free imprisoned opposition leaders, including Leopoldo López, who has been jailed for nearly two years. // File Photo: Facebook page of Leopoldo López.

Q Venezuela's opposition won a two-thirds "supermajority" in the country's legislative vote on Dec. 6, reaching a level that will empower opposition members to make sweeping changes in Venezuela's political and economic landscape, though President Nicolás Maduro has vowed to block many of the opposition's proposals. How will the supermajority approach legislating in a divided government? Does the opposition coalition risk making too many changes too quickly, and thus risking the ire of voters? Will Maduro be able to effectively impede the opposition's attempts to make drastic changes? What economic changes are expected for Venezuela in the year ahead? What political changes will be made?

A Michael Shifter, president of the Inter-American Dialogue: "With a supermajority in the new legislature, the opposition has considerable powers and for the first time in 17 years can serve as a check on the executive. At the same time, the new context poses tough dilemmas for an opposition that benefited from widespread anger with the dismal economic performance of the Maduro government. It has to weigh possible trade-offs and decide to what extent, and at what pace, it will pursue political measures or, rather, focus on enacting laws that can provide some economic relief, which for most Venezuelans is of utmost concern. The opposition can, of course, decide to do both, but some real options—such as gathering signatures for a recall referendum against Maduro (which would have to take place in 2016)—carry risks, and would make less likely any negotiation or cooperation between the assembly and executive on an economic agenda

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TODAY'S NEWS

POLITICAL

Costa Rica to Suspend Cuban Migrants' Visas

President Luis Guillermo Solís said the government would not allow any more Cuban migrants heading to the United States to enter its territory. The announcement came after Central American leaders met but failed to find a solution to the migration crisis.

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BUSINESS

U.S. Authorities Arrest Businessman With PDVSA Ties

Roberto Rincón was arrested in Houston on charges including money laundering.

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ECONOMIC

Brazilian President Sacks Finance Minister

Brazilian President Dilma Rousseff replaced Finance Minister Joaquim Levy, who was named to the post just over a year ago, and replaced him with her planning minister, Nelson Barbosa.

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Levy // File Photo: Brazilian Government.

ECONOMIC NEWS

Brazilian President Replaces Finance Minister

Brazilian President Dilma Rousseff on Friday replaced her finance minister, Joaquim Levy, and named Planning Minister Nelson Barbosa to the post. Levy's ouster came just more than a year after he was appointed as finance minister. During that year, Latin America's largest economy has deteriorated markedly as GDP has shrunk for three consecutive quarters, two of the three major ratings agencies have

“I come to the end of 2015 worrying about the situation of the country, particularly the economy.”

— Joaquim Levy

downgraded the country's debt to junk status, annual inflation has risen past 10 percent, a massive corruption scandal has widened at state-run oil company Petrobras and Rousseff is facing an impeachment attempt. Levy's time as finance minister was rocky and included frequent clashes with the president and repeated economic proposals that failed to make it through Congress, the Associated Press reported. In her announcement about Levy's departure, Rousseff expressed her thanks for his service and wished him future success but did not elaborate. In a separate statement issued before the president's, Levy expressed concerns about the state of Latin America's largest economy. “I come to the end of 2015 worrying about the situation of the country, particularly the economy,” said Levy, the AP reported. “But I keep great confidence in our economy's ability to recover and its potential to grow.” Levy, who was educated at the University of Chicago and spent time as a top executive at Brazilian bank Bradesco, faced suspicion by the more leftist members of the ruling Workers' Party, some of whom openly opposed his appoint-

ment last year. Barbosa, who now replaces Levy, is viewed as a close Rousseff ally and worked under former Brazilian Finance Minister Guido Mantega. Rousseff named Barbosa the country's planning minister earlier this year. On Friday, Barbosa told reporters that his top priority is bringing fiscal balance to Brazil. “The Brazilian government ... has all the instruments to solve the problems we face,” said Barbosa, the AP reported. “I have complete confidence that Brazil has all it takes to overcome the current difficulties.”

POLITICAL NEWS

Costa Rica to Suspend Cuban Migrants' Visas

Costa Rican President Luis Guillermo Solís announced Friday that his government was suspending the visas of any Cuban migrants who attempt to enter the Central American country in an effort to head north toward the United States, the Associated Press reported. “Please do not come to Costa Rican territory. If you do, you will be deported,” Solís said. There are approximately 6,000 Cuban migrants stuck in limbo in Costa Rica after Nicaragua's government last month refused to allow them to tran-



Solís // File Photo: Costa Rican Government.

sit through its territory. The Cubans are headed north amid fears that the U.S.-Cuba thaw will mean an end to the Washington's policy that allows Cubans to stay if they reach dry land. Solís' statement came after Central American leaders met in El Salvador but failed to come up with a solution to the migration crisis.

NEWS BRIEFS

Chilean Airport Workers End Strike

More than 3,000 Chilean airport workers have ended a four-day strike and gone back to work, the Civil Aviation Directorate announced Sunday afternoon, La Tercera reported. Thousands of holiday travelers were inconvenienced by the labor action in recent days, which has yet to be fully resolved as union negotiators continue to seek military-grade benefits for the workers. Chilean Defense Minister José Antonio Gómez called the strike “irrational” and “unfortunate,” noting some strikers resorted to “aggression” and may be fined.

U.S., Mexico Sign Airline Treaty

The United States and Mexico on Friday signed an air treaty that seeks to liberalize the air travel market, making it possible for airlines on both sides of the border to set their own prices and fly any routes they choose, The Wall Street Journal reported. The treaty still must be ratified by the Mexican Senate in order to take effect. While both U.S. and Mexican airlines hailed the accord, some smaller carriers fear that planned alliances among industry heavyweights could give the largest carriers an upper hand. Another hurdle is the lack of infrastructure at some airports, which would limit the capacity to add new flights, even though new rules would permit them.

Chile's Colbun Buys Fenix Power Perú for \$171 Million

Chilean electric utility Colbun said Friday it has purchased power generator Fenix Power Perú for \$171.4 million, Reuters reported. Fenix Power's net assets, principally a 570-megawatt thermoelectric natural gas plant as well as net debt of \$614.6 million, are valued at \$786 million. Fenix Power says it produces 10 percent of the electricity consumed in Peru today.

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(for example, devaluation of the bolívar). Yet, although Chavismo may see an amnesty law as similarly confrontational, it is hard to imagine how the opposition can fail to try and free the country's political prisoners—most prominently, Leopoldo López—when it has the power to do so. Divided government could give both sides the political cover they need to carry out difficult yet necessary reforms. But choices made by the opposition and the Maduro government can also lead to greater political strife and chaos. Chavismo has already signaled that it will attempt to resist through its control of state institutions, particularly the judiciary.”

Alexander Main, senior associate for international policy at the Center for Economic and Policy Research: “Within days of its decisive victory in the Dec. 6 elections, the Venezuelan opposition unveiled an ambitious legislative agenda aimed at reshaping key government policies. Opposition leaders warned that if President Nicolás Maduro attempted to block this agenda, they would seek to unseat him through a revocatory referendum or other means. But it would be a mistake for the opposition to think that the electorate has given them a blank check to follow this aggressive strategy. Polling data suggests that many Venezuelans who voted for opposition candidates are supportive of the late President Hugo Chávez’s legacy of social inclusion and participatory politics. They voted the way they did primarily because of their deep frustration with the current economic difficulties they face on a daily basis and not because they reject the Chavista political project backed by Maduro and his allies. Maduro still has the potential to recover politically, but only if he takes bold steps to address economic ills. He urgently needs to fix the country’s dysfunctional currency exchange system—one of the main causes of widespread scarcities and soaring inflation—while taking effective measures to shield the poor and middle class

from further increases in the prices of basic goods. The opposition has the potential to further consolidate, but only if they take into

“**The opposition has the potential to further consolidate, but only if they take into account the enduring popularity of Chavismo.**”

— Alexander Main

account the enduring popularity of Chavismo and realize that their political gains will rapidly dissolve if they adopt a confrontational approach and attempt to undo many of the government’s signature policies.”

A John Maisto, member of the Advisor board, director of U.S. Education Finance Group and former U.S. ambassador to the OAS: “Venezuela’s surprising new hopeful reality, a result of record voter turnout on Dec. 6 and a unified opposition, has created huge challenges for President Maduro and the incoming majority opposition legislature. The turnout is vindication that only the Venezuelans, in their time and way, can resolve their problems; the victory, a vindication for smart opposition leadership. The new political landscape happens amid a polarized political climate and a wrecked economy. The opposition won and the Chavistas lost because Chavista economic policies and governance failed miserably, causing hardship even to their heretofore solid lower socio-economic constituency: a ‘punishment vote.’ Both the government and the opposition must respond by reviving the economy and resolving issues affecting peoples’ daily lives: distribution of basic necessities in a normal market system, stimulating production, attracting investment, reducing inflation, efficient public services, citizen

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BUSINESS NEWS

U.S. Authorities Arrest Businessman With Ties to PDVSA

Venezuelan businessman Roberto Rincón was arrested in Houston on Friday by U.S. authorities on charges including money laundering related to state oil company PDVSA, The Miami Herald reported. Citing sources close to the operation, the charges also link Rincón, a business magnate who has made a fortune selling oil services under contract to Venezuela’s socialist regime over the past 10 years, to former Venezuela intelligence chief Hugo Carvajal, who last year was unsuccessfully targeted for extradition by U.S. authorities over drug trafficking charges. Authorities also arrested two other people in connection with the case, the Herald reported. In October, U.S. authorities launched a series of investigations into whether Venezuela’s political leaders were using PDVSA to leach billions of dollars through kickbacks and other schemes, The Wall Street Journal reported. The probes also sought to determine whether PDVSA and its foreign bank accounts were used for other illegal purposes, including black-market currency schemes and laundering drug money, according to the Journal. As much as \$3 billion of the \$15 billion in services and equipment that PDVSA contracted for annually represented overcharges that flowed back to top company executives, government officials and businessmen as kickbacks, people knowledgeable about the alleged crimes told the Journal. Venezuelan officials have routinely dismissed allegations of official corruption. Meanwhile, the state oil company has been suffering from low oil prices and faces potential dire times ahead, Fitch Ratings said in a report released last week. “PDVSA’s ‘CCC’ rating suggests a real possibility of default,” the New York-based ratings agency said, adding that if a restructuring occurs, the average recovery for PDVSA’s bondholders would be 31 percent to 50 percent of face value, a figure that now stands “likely closer to the lower end of the range.”

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security and decentralizing the police force. People are angry and expectant. Vexing political questions penetrate everything: Can government leaders lower the rhetoric and negotiate? Can they free all the political prisoners and do amnesty legislation—measures that could affect Chavista loyalists down the road? Can the opposition maintain unity and a razor-thin two-thirds majority in the National Assembly, which provides constitutional and impeachment options? Will it launch any? Will the government pack the Supreme Court? What could/would the Congress do? Practical Chavistas and a united opposition, with intelligence, tolerance and political will, can begin to find credible solutions. Local elections late next year will measure success or failure for both camps. But anything can happen between now and then.”

A **Hugo Pérez Hernáiz, associate professor of sociology at the Universidad Central de Venezuela:** “To say that the opposition is now empowered to make sweeping changes in the political and economic landscape is inexact. On paper, a ‘supermajority’ does give the opposition far-reaching powers, but in practice the executive maintains firm control over the Supreme Court, which can interpret any law approved by the National Assembly as unconstitutional. In any case, the executive has enough power to play a game of ‘we accept but don’t comply’ with laws approved by the assembly that might pass the hurdles of the presidential veto and Supreme Court interpretations. In at least a discursive sense, an opposition-dominated assembly could be of benefit for the government. The government can now point to an enemy within the state, supposedly backed by ‘the Empire,’ sabotaging its

policies. As the economic crisis continues next year, the executive can play the part of the victim by allowing the National Assembly to function and even approving controversial law reforms, and then claim that a reckless ‘bourgeois’ National Assembly is in cahoots with conspiratorial external powers and is responsible for the crisis.”

A **Howard M. Glicken, chairman of the board of The Americas Group:** “I believe the search for leadership and a unified agenda will take a considerable amount of time, during which National Assembly members will be subject to intense personal pressure from the Maduro regime, delaying

““ I don’t believe there will be much progress in making economic changes in the year ahead.”

— Howard M. Glicken

any meaningful legislation. In addition, the Maduro government will attempt to bribe key assembly members to help disrupt their ability to seriously interfere with the status quo. Therefore I don’t believe there will be much progress making economic changes in the year ahead, and this probable lack of progress could cause a change of government and continued frustration for the country.”

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

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