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FEATURED Q&A

Will Venezuela's Shaken Opposition Be Able to Regroup?



Julio Borges, head of the Justice First party and president of the now disempowered National Assembly, said Monday his party will boycott local elections scheduled for next month. // File Photo: @JulioBorges via Twitter.

Q Venezuelan opposition leader and former presidential candidate Henrique Capriles on Oct. 24 withdrew from the opposition Democratic Unity Roundtable, or MUD, highlighting a rift in the coalition. His move came after four out of the five opposition governors elected on Oct. 15 agreed to be sworn in by the country's pro-government Constituent Assembly after President Nicolás Maduro threatened to re-hold elections in the five states that elected opposition governors. What does Capriles' decision mean for the coalition's leadership, and what should be the MUD's strategy looking forward? How will the decision by the four opposition governors to be sworn in by the Constituent Assembly affect their relationship with the powerful body? Will the coalition mend fissures among its members or will a new opposition dynamic replace it?

A John F. Maisto, member of the Advisor board and former U.S. ambassador to Venezuela and the Organization of American States: "The opposition's situation and options remain unchanged following 1) the election and launching of the National Constituent Assembly, widely considered in Venezuela and abroad to be illegal and unconstitutional, and 2) the stacked, manipulated gubernatorial elections held under that fatally flawed body and the regime-loyal electoral tribunal. The next moves to be made by the opposition MUD (or a new coalition) and member political parties are now being plotted. Divisions continue, and once again, opposition leaders face tough political decisions ahead of the municipal elections in December and a

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TODAY'S NEWS

POLITICAL

Number of Dead in Mexico Fuel Theft Feud Rises to 12

Fuel pipeline theft is a growing problem in Mexico, with regular shootings between gangs, as well as police or soldiers, and losses for state oil company Pemex estimated in the billions of dollars.

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BUSINESS

Mobile Phone Sector Surpasses 5 Percent of GDP

Latin America's growing mobile phone sector generated 5 percent of regional GDP last year, contributing \$260 billion in economic value, according to a new study by an industry group.

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ECONOMIC

Argentina Rolls Out Major Tax Reform Proposals

Treasury Minister Nicolás Dujovne said the changes, which include tax cuts for some corporations and new so-called "sin taxes," will make Argentina more competitive with other countries and reduce inequality at home.

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Dujovne // File Photo: Argentine Government.

ECONOMIC NEWS

Argentina Rolls Out Major Tax Reform Proposals

The government of Argentine President Mauricio Macri on Tuesday announced plans to overhaul its tax code, including a significant cut to the corporate tax rate and unpopular new levies on certain types of alcohol, Reuters reported. In announcing the plan, Treasury Minister Nicolás Dujovne said the changes will make Argentina more competitive with other countries and reduce inequality at home. "We're going to move toward a more normal tax system, more like what other countries have," Dujovne said at a news conference. The plan would cut corporate income taxes to 25 percent from 35 percent for companies "willing to reinvest in Argentina" within five years, as well as reduce social security taxes on employers and eliminate taxes on certain bank transactions, The Wall Street Journal reported. The government plans to eliminate a 17 percent tax on cellphones, televisions and monitors, levies that have made electronics in Argentina significantly more expensive than in some other countries. Macri is expected to send the proposals to Congress within two weeks. The plan does not involve cuts alone. The government also plans to create a 15 percent capital-gains tax on certain financial transactions. The government wants to double taxes on private airplanes and expensive boats and motorcycles, as well as a 10 percent tax on wine and a 17 percent duty on champagne. It will also raise taxes on sugared sodas and double the tax on beer to 17 percent. "In the short term, we have two competing goals: lowering the deficit and cutting taxes," Dujovne said, according to Reuters. "In the long term, they probably do not compete because lower taxes would generate less evasion and more government income." Dujovne said the reform would have an overall fiscal cost of 1.5 percent of GDP over five years, but that would be offset by greater economic growth and lower tax evasion, making the reform "revenue neutral."

POLITICAL NEWS

Number of Dead in Mexico Fuel Theft Feud Rises to 12

Authorities in Mexico said Tuesday that 12 people have now died in Puebla State as rival gangs of fuel thieves fight over territory, the Associated Press reported. Three men and a woman were slain at a hospital in the state capital. Another man was shot dead while driving in the suburb of Chachapa, and two more were killed while riding in a truck in the municipality of Amozoc de Mota. Fuel pipeline theft is a growing problem in Mexico, with regular shootings between gangs, as well as police or soldiers. Last month, state oil company Pemex said it had fired several warehouse and distribution center workers in Guanajuato State as part of the company's strategy to crack down on oil theft, Reuters reported. In July, federal prosecutors arrested the mayor of Palmar de Bravo, a town that has been dominated by fuel thieves who have drilled into state-run pipelines to steal gasoline and diesel. The government estimates that the state oil company sees at least \$1 billion in losses per year due to oil theft by criminal groups. [Editor's note: See related [Q&A](#) in the June 23 issue of the Energy Advisor.]

BUSINESS NEWS

Latin America's Mobile Phone Sector Surpasses 5 Percent of GDP: Report

Latin America's growing mobile telecommunications sector generated 5 percent of GDP last year, according to data released by industry group GSMA on Tuesday. Mobile technologies and services contributed \$260 billion in economic value to the region in 2016, largely due to rising smartphone adoption. At the end

NEWS BRIEFS

Five Argentines Killed in New York Terrorist Attack

More than half of the people killed in Tuesday's terrorist attack in New York, the city's deadliest since Al-Qaeda struck the World Trade Center on Sept. 11, 2001, were from Argentina, La Nación reported. Mostly architects and businessmen, the five friends were celebrating the 30th anniversary of their graduation from the Polytechnic Institute of Rosario when the driver of a truck ran over people on a bicycle path in Lower Manhattan. A 29-year-old man from Uzbekistan, Sayfullo Saipov, fled the scene and was shot by police and is in custody. In all, eight people were killed and 11 were injured.

Brazilian Senate Softens Rules on Ride-Sharing

Brazil's Senate late Tuesday voted to soften proposed new regulations backed by established taxi drivers that threatened to end ride-sharing app services such as Uber in the country, the Associated Press reported. The measure called for more regulation requiring insurance to carry passengers and pension benefits for drivers, as well as increased oversight of drivers and their cars, which they would be required to own. Outside Congress, police used pepper spray and formed a human cordon to separate thousands of drivers from both sides who had been shouting at one another.

Ecuador's Ruling Party Removes Moreno as Head

Officials with Ecuador's ruling party, the PAIS Alliance, on Tuesday removed the country's president, Lenín Moreno, as head of the party, El Comercio reported. Moreno's supporters called the action "rude" and "arbitrary." In his place, the party has chosen former Foreign Minister Ricardo Patiño to become its leader, while inviting former President Rafael Correa, with whom Moreno has split, to lead a process of restructuring of the party.

of 2016, there were 451 million unique mobile subscribers across Latin America, with Brazil holding a third of the total. The sector supported 1.7 million jobs in the region last year, directly and indirectly, raising \$34 billion last year in the form of general taxation, including VAT, corporate taxes and employment taxes. However, around 300 million people remain “digitally excluded” from accessing the mobile Internet, according to the study. Compared to the rest of the world, Latin America and the Caribbean have fallen behind in global trade in “modern services,” meaning those that have high value-added and are intensive in the use of information and communications technologies. The region’s share of the export of modern services worldwide was just 1.8 percent last year, according to the United Nations Economic Commission for Latin America and the Caribbean.

Peru Indigenous Group Ends Oil Block Protest

Indigenous activists on Tuesday ended a 43-day protest that had halted production in Peru’s largest oil block after signing a deal with the government, Reuters reported. Under the deal, the administration of President Pedro Pablo Kuczynski will use an indigenous rights law before awarding any new, long-term oil drilling contract for Block 192, the energy and mines ministry said in a statement. Protesters were demanding that the government clean up oil pollution in the region and to commit to including tribes in talks on long-term oil drilling plans. Canada’s Frontera Energy, which employs 50 people at the site, operates Block 192 under a two-year contract but has not produced any oil from it since Sept. 18. During the third quarter this year, the company produced, after royalties and internal consumption, an average of 5,716 barrels of oil per day on the block, up from 3,338 barrels of oil per day in the second quarter. “Despite the current loss of production, the net financial impact to the company is immaterial,” Frontera said in a statement posted on its Web site last week.

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presidential election next year. Their options remain: unite in the face of an authoritarian regime that will use its power to undermine the opposition’s chances and not permit a level playing field, divide and participate, or boycott. Division most likely results in a regime victory; a boycott guarantees it. However, economic realities and the internal pressures they will produce, including from within Chavismo and the military, combined with unrelenting external pressures, missed debt payments, corruption revelations and further isolation, could change the political picture in ways no one can predict. And though a foreign mediation role is not out of the question, the one sure thing about the ongoing Venezuelan tragedy is that only the Venezuelans themselves can work something out, by mustering the political will in their time and in their way, in order to begin to get themselves out of this mess. Or not.”

A **Gustavo Roosen, member of the Advisor board and president of IESA in Caracas:** “The Venezuelan democratic tradition from 1958 to 1998 translates into a high level of citizen participation in electoral processes. Venezuelans have had to vote under dictatorship in recent times. In the midst of an environment that is not conducive to voting, a high level of citizen participation has continued, even during the manipulated results of the important recall referendum of 2004. An important warning signal for the civil-military regime of Nicolás Maduro were the results of the elections for the deputies of the National Assembly in December 2015, in which the opposition won control of the absolute majority of the chamber. Again, this result was snatched from the opposition through a decision of the Supreme Court of Justice, aligned with the executive branch. From that historic day, the government and its institutions have been politically disabling and imprisoning their opponents. They have also politicized control over the masses, affected by inflation and shortages,

using instruments of submission such as the ‘fatherland identity card.’ The MUD is a union of many opposition parties, organized only for electoral purposes. It has been fully aware that the uneven playing field, which for years has clearly favored the government, has become much more complex. What happened in the election of the members of the Constituent Assembly

“**The government and its institutions have been politically disabling and imprisoning their opponents.”**

— Gustavo Roosen

on July 30, and in the election for governors on Oct. 15, places the opposition in front of a fence almost impossible to overcome. According to all available polls, 85 percent of Venezuelans want change, and only 6 percent report they intend to vote for President Maduro. However, in the face of the electoral political scenario, the only valid option is to allow the social and economic deterioration to erode military support for the regime and promote a transitional government with a broad mandate of unity. This could restore the rule of law and respect for human rights and reorganize the economy. The support of the international community is essential to achieve this purpose.”

A **David Smilde, Charles A. and Leo M. Favrot Professor of Human Relations at Tulane University and senior fellow at the Washington Office on Latin America:** “The four governors’ swearing in before Venezuela’s Constituent Assembly was as big of a setback to the opposition as the electoral losses themselves. The biggest obstacle to the consolidation of Nicolás Maduro’s authoritarian project is that the supposedly

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all-powerful Constituent Assembly is considered illegitimate by most Venezuelans and most countries in the region. Having recently elected opposition leaders swear in before it is the first step in the government's efforts to create an 'official opposition' like Vladimir Putin has in the Russian Duma. Clear vote-count fraud in the assembly elections in July and the governor's election in Bolívar State would now make it almost impossible for opposition leaders to convince their base to turn out. This, in addition to the Kafkaesque conditions the National Electoral Council has imposed on opposition candidates and voters in recent elections, virtually guarantees that the opposition would lose big in municipal elections, as it did on Oct. 15. Thus, it is not surprising that they have declined to participate as a way of demanding better electoral conditions. But here again, without some sort of unified strategic plan and communications effort, it will be difficult for the opposition to pressure the government or benefit from concerted international support. It is likely that some local opposition leaders will participate in and win elections despite the MUD's refusal. This will further strain the coalition, as these elected mayors will either become part of the government's 'official opposition' or develop dissenting leaderships that challenge MUD leaders. The Maduro government will likely seek to up the ante on the MUD's new abstentionist strategy by moving up the 2018 presidential elections."

A **Eva Golinger, attorney, author and former advisor to late Venezuelan President Hugo Chávez:** "One of the biggest mistakes the Venezuelan opposition has made over the years has been uniting behind the sole goal of regime change. The opposition is not a homogenous group. It's comprised of more than a dozen different political parties from a range of ideological perspectives. Some of the parties have traditional roots in the Venezuelan political system, such as Acción Democrática, whose members

have held powerful positions at all levels of government for more than 50 years and are a deeply entrenched part of Venezuelan identity. Other parties are newer, like Primero Justicia and Voluntad Popular, and while trendy at specific moments during the past decade, have largely failed to build their own meaningful and sustained presence in Venezuelan society. Consecutive political losses and tactical disagreements have left the opposition coalition profoundly fractured and without a collective platform. The government has capitalized on the opposition's weakened appearance, which has successfully portrayed it as opportunistic

“**The government has capitalized on the opposition's weakened appearance.**”

— Eva Golinger

and blundering, offering no real alternative to the Venezuelan people even in the face of a desire for change. Now, by betraying the anti-government coalition's position and recognizing the all-powerful Constituent Assembly, the four new opposition governors, members of Acción Democrática, have shown their party's thirst for power exceeds its commitment to achieving real change. Maybe if those who consider themselves 'opposition', which today may also include many discontented chavistas, accept that they are not a united coalition with a unified agenda, they could rebuild their own parties and develop genuine, pragmatic solutions to the country's difficulties. Sometimes a true political alternative comes from within a party in crisis and builds on experience and insight to offer a real venue for change."

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