

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Devry Boughner Vorwerk
CEO,
DevryBV Sustainable Strategies

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes
Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President, Boeing Latin America

Jon E. Huenemann
Former Corporate and
Government Senior Executive

James R. Jones
Chairman,
Monarch Global Strategies

Craig A. Kelly
Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto
Director, U.S. Education
Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
Chairman,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

Jaana Remes
Partner,
McKinsey Global Institute

Ernesto Revilla
Head of Latin American
Economics, Citi

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President, Rozental &
Asociados

Shelly Shetty
Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

How Will Venezuela's High Court Action Affect the Election?



A loss in this year's legislative election could affect opposition leader Juan Guaidó's recognition by dozens of countries as Venezuela's interim president. // File Photo: Facebook page of Juan Guaidó.

Q Venezuela's Supreme Court earlier this month seated a new electoral commission after ruling that the opposition-controlled National Assembly did not appoint rectors to the country's electoral authority in time. How will the Supreme Court's actions affect the scheduling of the election and its outcome? Is Juan Guaidó, who has international recognition as Venezuela's legitimate president, likely to lose his position this year as National Assembly president? How would such a loss for Guaidó affect his standing within Venezuela's opposition and on the world stage?

A Francisco Márquez Lara, Washington-based international consultant: "Under the current conditions, free and fair elections are not a viable way to resolve the political crisis in Venezuela. The regime continues to demolish this possibility. This is not a moment where you can 'blame both sides,' as some political observers would try and persuade the public. Democratic forces and the regime do not have the same power or position. In 2016, 2018 and 2019, three different negotiations took place with international observers in order to reach an agreement on minimum conditions for free and fair elections. Each time, the regime has only imprisoned more opponents and closed off democratic institutions. The decision by the Maduro-controlled Supreme Court is not an isolated incident. This is the same 'Supreme Court' that has declared that any and all legislative actions by the legitimate National Assembly be null and void. This new decision puts an end to any of the voices that continue to believe that going to an election with Maduro in power is still a viable alternative. No democratic nation

Continued on page 3

TODAY'S NEWS

POLITICAL

Suriname's Ruling Party Concedes Defeat in Election

Suriname's ruling National Democratic Party congratulated the opposition on its victory in the country's May 25 general election, effectively accepting the defeat of longtime President Dési Bouterse.

Page 2

BUSINESS

Brazil's BTG to Raise \$377 Mn for Digital Banking

Brazilian investment bank BTG Pactual is planning a share offering to raise approximately \$377 million to bolster its digital banking platform.

Page 3

ECONOMIC

Costa Rica to Nominate Chinchilla for IDB

Costa Rica plans to nominate former President Laura Chinchilla to lead the Inter-American Development Bank. The bank's member nations and its board of directors are scheduled to elect the institution's next president in September.

Page 2



Chinchilla // File Photo: Inter-American Dialogue.

ECONOMIC NEWS

Costa Rica Plans to Nominate Chinchilla to Lead IDB

Costa Rica will nominate former President Laura Chinchilla to lead the Inter-American Development Bank, El Financiero reported Monday. The administration of U.S. President Donald Trump last week announced its own candidate, Mauricio Claver-Carone, who is currently the head of Western Hemisphere affairs at the National Security Council. "There is still some time. We have to see what the different countries will say, not all of them have made a statement," Chinchilla told El Financiero. "We respect all candidates' aspirations, and we hope our candidacy is also respected," she added. The bank's 48 member countries and its board of governors are scheduled to elect the next president in mid-September. Claver-Carone's nomination sparked some controversy among analysts, as the candidacy breaks with an unwritten agreement since the bank's inception that its president would come from Latin America, The Washington Post reported. The bank has only had four presidents, whose terms have been renewed, and they have all been Latin American. Chinchilla would be the first woman to lead the IDB.

Mexico's Antitrust Regulator Challenges Power Rule Changes

Mexico's antitrust regulator said on Monday that it had filed suit at the country's Supreme Court against the energy ministry over rule changes in the electricity sector, Reuters reported. Last month, the ministry published a set of guidelines giving the government more control over approval of new renewable energy projects, sparking concerns that the government was violating existing contracts with the aim of squeezing out private companies, according to the report. The Federal Economic

Competition Commission, or Cofece, said in a statement that the new rules go against fundamental principles of free competition established in the Constitution and urged the Supreme Court to rule on the matter, Europa Press reported. Cofece added that the ministry's move "seriously affects" the structure of the electricity sector and prevents access to transmission and distribution networks while favoring certain participants and hindering others' ability to compete. [Editor's note: See related [Q&A](#) in the May 29 issue of the weekly Energy Advisor.]

POLITICAL NEWS

Suriname's Ruling Party Concedes Defeat in Election

Suriname's ruling National Democratic Party, or NDP, has congratulated opposition parties on their victory in the country's May 25 general election, effectively accepting longtime President Dési Bouterse's defeat, The Jamaica Gleaner reported today. The opposition parties are expected to form a coalition government to



Bouterse // File Photo: Government of Suriname.

oust Bouterse in a legislative vote, to be held in August, to elect the country's next president. "We wish you prosperity, wisdom, strength and perseverance in the pursuit of the Surinamese goal, which is sacred to all of us, namely, to push Suriname to greater heights at any level," the NDP said in a statement after the Caribbean nation's Independence Electoral Council released the election's official results. The main opposition parties together control 35 of

NEWS BRIEFS

Guatemalan President Says 151 Employees at Residence Test Positive

One hundred fifty-one people who work at Guatemalan President Alejandro Giammattei's official residence have tested positive for coronavirus, and one has died, the president said Monday, the Associated Press reported. Many of the reported infections were among workers in the Secretariat of Administrative Affairs and Security at the presidential residence, which also has offices, in Guatemala City. The president has not tested positive. There have also been reported cases at the country's tax agency and the prosecutor's office.

Two Percent of Workers at Volkswagen's Mexico Unit Test Positive for Covid-19

Volkswagen's Mexico unit on Monday said that around 2 percent of its workers, or about 100, have tested positive for Covid-19 at some point, highlighting the challenges that automakers in the North American country face with restarting operations, Reuters reported. Volkswagen began reopening last week, sending employers back to its factory in the city of Puebla. Many other car makers, especially from the United States and Japan, had returned to work weeks earlier. Mexico on Monday reported 4,577 new cases of coronavirus and 759 additional deaths.

Credit Suisse Agrees to Acquire as Much as 35% in Digital Broker Modalmais

Credit Suisse said today that it has agreed to acquire as much as 35 percent of digital broker Modalmais, Reuters reported. The digital broker has almost one million clients, and Credit Suisse wants to market its wealth management services and products to them, the wire service reported. Modalmais currently has nearly \$2 billion in assets under management.

the 51 seats in the National Assembly, while Bouterse's NDP won the remaining 16 seats. International observers, including the Organization of American States and the Caribbean Community, have said the vote was free and fair, despite the count being interrupted early on, with officials saying electoral personnel were exhausted following widespread problems with voting, the Associated Press reported. Bouterse, who has led Suriname for 40 years, had initially questioned the preliminary results. [Editor's note: See related [Q&A](#) in the June 9 issue of the Advisor.]

BUSINESS NEWS

Brazil's BTG to Raise Some \$377 Mn to Boost Digital Banking

Brazil's BTG Pactual is planning a share offering to raise approximately 2 billion reais (\$376.61 million) in order to bolster its digital retail banking platform, Reuters reported Monday, citing a securities filing. The investment bank plans to sell 28.5 million new units,

The offering follows a surge in clients at rival digital brokerage XP.

which will be made up of two preferred shares and one common share, according to the filing. The offering could reach 35.6 million units, including overallotments. BTG said it will use the proceeds to expand the recently launched digital banking platform while also keeping a high capitalization level. The investment bank's plans to boost the digital banking unit follow a 23 percent surge this year in the shares of rival digital broker XP, which has seen a soaring number of clients and assets. BTG's chief executive officer, Roberto Sallouti, said last month that the investment bank was seeing strong opportunities to complement its retail banking unit.

FEATURED Q&A / Continued from page 1

will recognize the legitimacy of a fraudulent National Assembly election. Anyone interested in restoring democracy in Venezuela should continue to find ways to help the interim government fulfill the immense and complex task of ensuring a real transition in Venezuela. There is no doubt as to the future legitimacy of the Guaidó administration. The mandate of the massive landslide victory of the 2015 National Assembly elections will still hold true, as long as it's not possible to execute any free and fair election."

A Steve Ellner, associate editor of *Latin American Perspectives* and retired professor of the Universidad de Oriente in Venezuela: "The decision of the Supreme Tribunal of Justice to name all five members of the National Electoral Commission opens the door for the holding of elections for the National Assembly in December. Juan Guaidó will undoubtedly be replaced as the assembly's president, thus undermining the legitimacy of Washington's strategy to achieve regime change in Venezuela. In one sense, the elections will be a repeat of the May 2018 presidential election, which the 'radical' opposition boycotted, unlike the 'moderate' opposition. In another sense, however, the nation's political climate has changed significantly as many Venezuelans opposed to the government have become disillusioned with Guaidó as a result of a string of fiascos beginning with his self-proclamation as president on Jan. 23, 2019. A major blow for Guaidó has been the surprising emergence of Claudio Fermín of the Mesa de Diálogo Nacional (MDN) and his recognition of Nicolás Maduro as the nation's legitimate president. Fermín, who has long been a conservative on economic policy, hits particularly hard against the 'radical' opposition, labeling the call for abstention in the 2018 elections a 'fraud' and ruling out alliances with any group that supports U.S.-imposed sanctions against Venezuela. The 'radical' opposition has

attempted to discredit the MDN by accusing its president, Luis Parra, of corrupt dealings, while the Trump administration has imposed sanctions on him. But Fermín's credentials of personal honesty are impeccable dating back to his term as Caracas' first elected mayor in the early 1990s, and thus the MDN cannot be passed off as a shady fringe group. In short, the Supreme Tribunal's selections, a decision which the MDN hailed, signals a shift in the Venezuelan political environment with far-reaching international ramifications."

A Peter DeShazo, visiting professor of Latin American, Latino and Caribbean Studies at Dartmouth College and former U.S. deputy assistant secretary of state for Western Hemisphere affairs: "The naming of new, government-aligned leadership to the National Electoral Council (CNE) by the chavista-dominated Supreme Court (TSJ) constitutes yet another brick in Nicolás Maduro's wall of authoritarian control. The CNE will oversee the still unscheduled legislative election to take place later this year. Given Venezuela's unprecedented social and economic crises and his dismal approval ratings, Maduro in theory should have little hope of retaking control of the legislature from the opposition. His strategy appears based on manipulating the electoral process, deepening rifts in the faction-prone opposition and exploiting those divisions to 'win' the election and thereby separate Juan Guaidó from his base of legitimacy. Guaidó and top opposition leaders reacted to the TSJ's circumvention of the authority of the legislature to nominate CNE leadership by declaring that they would not recognize as valid any electoral process supervised by the CNE, implying a possible boycott of the elections. In another move, the TSJ ordered changes in leadership in two key opposition parties, installing figures more sympathetic to the government, who obligingly pledged to participate in legislative elections. Maduro

Continued on page 4

FEATURED Q&A / Continued from page 3

is setting the stage for total control but with whatever trappings of legitimacy he can derive from an election—however undemocratic the process. This forces the opposition into the now-familiar dilemma: play electoral cards with a chavista stacked deck or fold and leave the pot to Maduro. Either way, the corrupt and repressive Maduro regime remains intact—and the path to democracy in Venezuela still blocked.”

A **David Smilde, senior fellow at the Washington Office on Latin America and professor of sociology at Tulane University:**

“The Maduro-controlled Supreme Court named a new electoral commission consistent with the way it imagines Venezuela: with a pro-government majority and two representatives from the ‘loyal opposition.’ There were serious negotiations between the Maduro government and the Guaidó-led opposition in which the latter was actually willing to cut a deal. However, the government backed away and created the CNE it wants and needs. There is no chance there will actually be fair elections. Of course, there are many cases in which oppositions to authoritarian governments have participated in unfair elections and succeeded in generating processes of change. But this seems unlikely in the current context. The Venezuelan people have recent memories of actual democratic elections, and trying to convince them to participate in an unfair election is a tough sell. Add in the fact that many think international intervention will happen if things get bad enough, and going to an unfair election seems like treason. The idea of allowing the current National Assembly’s mandate to run out and claiming ‘administrative continuity’ in 2021 for Juan Guaidó’s interim government is leading to a lot of nodding heads in the opposition’s internal discussions. But this move would likely continue the degradation of the interim government’s standing both nationally and internationally. There are no good options

for the Venezuelan opposition at this point. Priority should be given to proposals that allow the opposition to set their agenda rather than respond to Maduro’s, respond to people’s needs rather than hoping their suffering will lead to an uprising and lower the regime’s exit costs rather than raise them.”

A **Marc Becker, professor of history at Truman State University:** “Guaidó at best has a very tenuous claim to be head of the assembly, and none to the presidency. Before splashing onto the global stage through the mechanisms of Venezuela’s old regime and external imperial powers, he was an insignificant and easily manipulatable back bencher. As part of an agreement with a coalition of right-wing parties, in January 2019, Guaidó assumed the head of the assembly for a year. U.S. Vice President Mike Pence then leveraged Guaidó’s new position to have the Trump administration recognize Guaidó as Venezuela’s president under Article 233 of the country’s constitution, even though none of its six conditions applied to the situation that Venezuela was facing. Furthermore, an interim president must call elections within 30 days—something Guaidó obviously did not do. In addition, his term as assembly president lapsed this January. While 50-some countries—all allies of the United States—might support Guaidó’s claim to the presidency, it is important to remember that almost three times as many do not. That is why international institutions such as the United Nations, which make their decisions based on a democratic vote rather than via the bullying and strong arming of an imperialist power with its own economic and geopolitical interests at stake, still recognize Maduro as Venezuela’s legitimate and duly elected president. Guaidó is truly a tragic figure, but it is hard to feel sorry for someone who has made common alliance with such despicable figures that have a callous disregard for the rule of law.”

LATIN AMERICA ADVISOR
is published every business day by the
Inter-American Dialogue, Copyright © 2020

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org

 **THE DIALOGUE**

Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Michael Camilleri, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Héctor Castro Vizcarra, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Peter Hakim, President Emeritus
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia and Latin America Program
Manuel Orozco, Director, Migration, Remittances & Development
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Mateo Samper, Nonresident Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development and External Relations

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

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.