

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Senior Policy Advisor
Akin Gump Strauss Hauer & Feld, LLP

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg Pincus

Dirk Donath

Senior Partner,
Catterton Aimara

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Co-chair, Manatt Jones
Global Strategies LLC

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

José Antonio Ríos

Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

Can Diplomacy Pull Venezuela Back From the Brink?



Veteran U.S. diplomat Tom Shannon (left) with the Charge d'Affaires of the U.S. Embassy in Caracas, Lee McClenny, on arrival at the Simón Bolívar airport Tuesday. // Photo: Voice of America.

Q U.S. Secretary of State John Kerry last week announced high-level talks between the United States and Venezuela in an effort to defuse tensions between the two countries. The announcement of the talks came just ahead of a meeting on June 23 at which the Organization of American States is to hear a report from its secretary general on what he has called a breakdown of democracy in Venezuela. What could result from the U.S.-Venezuela talks? How could they improve the political situation in Venezuela? How could action taken today at the OAS influence what happens over the coming weeks and months in Venezuela?

A John F. Maisto, former U.S. ambassador to the OAS, Venezuela and Nicaragua, and Senior Director for the Western Hemisphere at the National Security Council: "Resolution of the Venezuelan political and institutional crisis must begin with the clear understanding that only Venezuelans can do it. The Venezuelan constitution provides a legal solution that will hopefully be peaceful and democratic—a referendum to be scheduled as soon as the constitutional requirements are met. That process is ongoing. The OAS and the international community should stand strongly in favor—and deliver unequivocal messages to the government of Venezuela of its obligations to permit it, and to desist from preventing and slowing normal collection and authentication of citizens' signatures to bring it about. Such is the challenge of the OAS member states—led by the larger, more powerful members—as the debate at the Permanent Council, requested legitimately by the Secretary General as permitted by the Inter American Democratic

Continued on page 2

TODAY'S NEWS

POLITICAL

FARC War With Colombia Nears Historic End

After four years of talks that at times seemed on the brink of collapse, the two sides agreed to the disarmament of 7,000 guerrillas and a security plan to protect demobilized rebels.

Page 2

POLITICAL

Police Search PT Headquarters in São Paulo

Authorities are looking into allegations that some \$30 million from a Ministry of Planning computer services contract were funneled to people related to public officials in the ministry.

Page 2

POLITICAL

Rubio Opts for Senate Run

Sen. Marco Rubio (R-Fla.), one of the most outspoken critics in Congress of the Obama administration's effort to dismantle the U.S. economic embargo on Cuba, has changed his mind and will run for re-election in the Senate this fall.

Page 2



Rubio // File Photo: U.S. Senate.

POLITICAL NEWS

FARC War With Colombia Nears Historic Conclusion

Guerrilla commanders representing the Revolutionary Armed Forces of Colombia and President Juan Manuel Santos's government announced Wednesday they had reached an agreement to end hostilities in their five-decade conflict, *El Tiempo* reported. After four years of talks that at times seemed on the brink of collapse, the two sides agreed to the disarmament of some 7,000 guerrillas and a security plan to protect demobilized rebels, *The Wall Street Journal* reported. The presidents of Chile, El Salvador, the Dominican Republic and United Nations secretary general Ban Ki-moon are among the dignitaries expected to join the host of the talks, Raúl Castro, in Havana today for the signing of the agreement. While not a final peace accord, the deal announced Wednesday means the two sides have agreed to end a war that began in 1964 when the FARC took up arms in Tolima province, a bloody and chaotic conflict that over the years has taken nearly a quarter million lives and thwarted generations of Colombians seeking security and economic opportunity as the world moved ahead without them. The details released Wednesday set out a process for relinquishing arms and a

timetable for a proposed national plebiscite, in October. The peace accord remains controversial, and even if the majority of Colombians vote for it, the daunting task of integrating large swaths of territory into the rule of law and Colombia's developed economy remains. Officials from Uruguay and other nations have expressed willingness to send observers to Colombia to monitor the peace process after the accord is signed. Colombia's government has set mid-July as the target for a final conclusion of the talks. [Editor's note: See related [Q&A](#) in the April 1 issue of the Advisor.]

Federal Police Search Workers' Party Headquarters in São Paulo

Brazilian federal police this morning raided the Workers' Party headquarters in São Paulo as part of its Operação Custo Brasil, or "Operation Brazil Cost," *Folha de S.Paulo* reported. Authorities are looking into allegations that some 100 million reais (\$30 million) from a Ministry of Planning computer services contract were funneled to people related to civil servants and public officials in the ministry between 2010 and 2015. An estimated 70 percent of the amounts received under the contract went to family members of ministry staff, say police, who today also issued 11 arrest warrants and 40 search warrants in the case.

NEWS BRIEFS

Rubio Reverses Course on Plans for Senate Run

Sen. Marco Rubio (R-Fla.), one of the most outspoken critics in Congress of the Obama administration's effort to dismantle the U.S. economic embargo on Cuba, has changed his mind and will run for re-election in the Senate this fall, the Hill reported Wednesday. Rubio has until Friday to file formally for the race. After losing his party's nomination to run for President earlier this year, Rubio had said he would be taking a break from public office and return to private life.

YPF, GE Team Up to Build \$170 Million Power Plant in Northern Argentina

Argentine state oil and gas company YPF said Tuesday it will team up with Conn.-based General Electric to build a \$170 million thermal energy generating plant in the northern Argentine province of Tucumán, Reuters reported. The new plant will generate 260 megawatts of energy, enough to provide power to more than 280,000 households. The plant, to be built at YPF's existing Tucumán thermoelectric complex, will be fueled by natural gas and is slated to be operational in 2018.

Scotiabank Selects Kabbage for Online, SME Lending in Mexico

Scotiabank announced Wednesday that its customers in Canada and Mexico will be able to apply for and access a small business loans through a new partnership with Kabbage, an Atlanta-based financial technology and data company that describes itself as a "disruptor in the online lending business." The loans can run up to \$100,000 and be accessed in as little as seven minutes, Scotiabank said. Kabbage's service aims to automate the onboarding, underwriting and ongoing monitoring process for the entire customer lifecycle.

FEATURED Q&A / Continued from page 1

Charter, plays out. The U.S. role is and will continue to be to engage all diplomatic efforts, both private and public, to ensure that the Venezuelan government gets that message clearly. Any 'easing of tensions' will be linked to how this situation will or will not be resolved. It is not in the interest of Venezuela, the United States, the OAS, or its Secretary General to see a departure of Venezuela from the OAS. In particular, the South American members of the OAS, individually and in concert, will be crucial in dealing with this crisis."



Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest:

"U.S. engagement seems driven by the need to shore up the Venezuelan opposition after a spectacular miscalculation by OAS Secretary General Luis Almagro. His attempt to invoke the Democratic Charter against Venezuela was repudiated by member states on June 1. Almagro's unilateral initiative forged a near unanimous hemispheric position on the need for dialogue, a salient victory for

Continued on page 4

BUSINESS NEWS

U.S. House Creates Caucus Focused on Closer Latin America Business Ties

The U.S. House of Representatives created a new caucus Wednesday that will focus on U.S. policy toward Latin America and closer business ties within the region, The Hill reported. "Our hope is this caucus will focus America's attention south," said Rep. Carlos Curbelo (R-Fla.). The Connecting the Americas Caucus, co-chaired by Curbelo and Rep. Tony Cárdenas (D-Calif.), aims to connect U.S. businesses with a presence in Latin America with members of Congress "to identify obstacles and opportunities for them to enter into the market," while also ensuring laws and human rights "are respected," the group said in a statement. The new caucus is facing increased opposition on both sides of the aisle to trade agreements such as the Trans-Pacific Partnership, which has yet to be ratified, and the longstanding North American Free Trade Agreement, pacts that both leading candidates in the U.S. presidential election in November have criticized. Joining Cárdenas and Curbelo in the caucus thus far are: Reps. Julia Brownley (D-Calif.), Jason Chaffetz (R-Utah), David Cicilline (D-R.I.), Rubén Gallego (D-Ariz.), Sheila Jackson Lee (D-Texas), Ron Kind (R-Wis.), Alan Lowenthal (D-Calif), Patrick Meehan (R-Penn.), Ileana Ros-Lehtinen (R-Fla.), and Tim Walz (D-Minn.).

Eletrobras Asset Sales Face Delays

Corruption probes into Brazilian state-run electricity company Eletrobras could delay asset sale plans, analysts and lawyers said Wednesday as a word of caution to potential buyers, Reuters reported. Eletrobras officials are accused of having helped facilitate contracts and then funneling part of the proceeds to political parties. The probes could deter potential

THE DIALOGUE CONTINUES

Are Countries of the Region Spending Too Much—or Too Little—on Healthcare?

Q **Brazil's new health minister, Ricardo Barros, said recently that the country in the future may be unable to uphold all the rights guaranteed by the Constitution, such as universal access to health care, given fiscal constraints. Is Brazil's health care system in store for a major shakeup in the wake of the country's deepest recession in generations? How does universal health care compare to other social spending priorities for Brazilians? Are countries in Latin America and the Caribbean investing enough in health as a percentage of GDP? Where will money needed for health sector investments come from as economies of the region struggle with low growth rates?**

A **Andrew I. Rudman, managing director at ManattJones Global Strategies:** "Fiscal constraints, regardless of constitutional provision, place pressure on governments seeking to respond to growing demands for improvements in healthcare such as those seen in Brazil. Societal demands for improved standards of care and greater access to innovative medications and devices are a product of economic growth and the successful movement of citizens into the middle classes. Yet healthcare spending in Latin America and the Caribbean is inadequate and far too reliant on out-of-pocket expenditures. In Mexico, for instance, healthcare spending is under 7 percent of GDP and

recent revenue shortfalls have forced further reductions. To achieve meaningful improvements, governments must view healthcare spending as an investment in the future. The U.S. Chamber of Commerce's recently issued report, 'Health and The Economy: The Impact of Wellness on Workforce Productivity in Global Markets,' demonstrates how losses due to absenteeism caused by illness or long waits for treatment, and presenteeism (defined as on the job time lost due to health conditions) can significantly reduce industrial productivity. This, in turn, will reduce tax revenue. Governments are, in some cases, implementing programs to improve the efficiency of their delivery systems. Under the past and current directors general, for example, Mexico's Social Security Institute (IMSS) has undertaken efforts to streamline procedures and reduce waiting times for patients. Greater reliance on public-private partnerships, such as provision of integrated services—if properly regulated—can further contribute to efforts to maximize the efficiency of limited healthcare resources. In the long-term, governments will need to prioritize healthcare over other demands on resources to ensure continued economic growth."

EDITORS NOTE: The above is a continuation of the Featured Q&A in Monday's issue of the Advisor.

bidders from purchasing assets involved in the investigations. Additionally, poor corporate governance standards at Eletrobras and some of its subsidiaries that have been put up for sale remain a concern for potential bidders, lawyers said. The government has been trying to downsize Eletrobras. Following President

Dilma Rousseff's suspension last month, interim President Michel Temer's government has been exploring the sale of Eletrobras assets in order to close Brazil's deficit gap, with plans to sell seven of Eletrobras' power distribution companies and minority stakes in generation and transmission units.

FEATURED Q&A / Continued from page 2

the Maduro government. On Tuesday, at the request of Venezuela, the OAS heard from delegates from ongoing UNASUR-mediated talks ahead of an OAS vote on Venezuela's suspension scheduled for today. If the OAS vote goes ahead, there will no doubt be a restatement of the June 1 view that a negotiated outcome is the only way forward. This increases the pressure on the Venezuelan opposition. Since May, the UNASUR team, led by former heads of state from Spain, Dominican Republic and Panama, has mediated 20 meetings. But the Venezuelan opposition is truculent, despite a recent poll

“**Key opposition figures have re-emphasised hostility to dialogue and set out terms and conditions that they are in no position to enforce.**”

— Julia Buxton

showing 75 percent of Venezuelans back a negotiated exit to the country's political and economic crisis. In the last week, key opposition figures have re-emphasised hostility to dialogue and set out terms and conditions that they are in no position to enforce. It is into this fray that the United States has stepped, with a passive-aggressive rhetoric stressing Venezuelan sovereignty while heavily criticizing the democratic credentials of the Maduro government. Given this approach, U.S. engagement at this late stage is unlikely to be influential unless they can bring the opposition to the table.”

A **Michael Shifter, president of the Inter-American Dialogue:** “It was not surprising that high-level talks between the United States and Venezuela were announced last week and are now underway, led by U.S. undersecretary for political affairs Tom Shannon. Shannon's visit to Caracas was aimed at keeping channels of communication open with Washington, especially as Venezuela's crisis continues to deepen and spread. There is a chance that his conversations will yield some modest progress on democracy and human rights questions, but given the bitterness and rancor between the government and opposition, it is always wise to keep expectations in check. Shannon, who commands more respect and has more sway in Caracas than any other U.S. diplomat, has to walk a fine line. As always, he will seek to prod and pressure the government towards greater moderation and meaningful dialogue, but at the same time will not try to impose a formula made in Washington, which would surely backfire and only make matters worse. The United States is pursuing a two-track approach toward Venezuela, working both through multilateral channels such as the OAS but also moving on its own and engaging bilaterally to avert the most ruinous scenarios. Within the framework of the Inter-American Democratic Charter, the OAS can intensify diplomatic pressure on the Nicolás Maduro government to adhere to the country's own constitution and to permit external humanitarian assistance to help relieve enormous suffering. But for such pressure to be effective and produce results, the region's governments will have to overcome their indifference in the face of such a tragedy.”

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2016

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Nicole Wasson

Reporter, Assistant Editor
nwasson@thedialogue.org

Jen Wagman

Editorial Intern

**Michael Shifter, President**

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Kevin Casas-Zamora, Director,
Peter D. Bell Rule of Law Program

Ramón Espinasa, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Alejandro Ganimian, Nonresident Fellow

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, China and
Latin America Program

Manuel Orozco, Director, Migration,
Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1211 Connecticut Avenue NW, Suite 510 Washington, DC 20036

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at
freetrial@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.