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FEATURED Q&A

What's at Stake in Argentina's Midterm Elections?



Senate candidate Esteban Bullrich's strong showing in Argentina's Aug. 13 primary election was seen as a sign of strength for the country's ruling party. // File Photo: Argentine Government.

Q Former Argentine President Cristina Fernández de Kirchner had been widely expected to defeat Esteban Bullrich, the candidate of current President Mauricio Macri's Cambiemos coalition in the country's Aug. 13 primary election. However, Bullrich virtually tied Fernández in the Senate race. The results in the primary boosted Argentine stocks as investors saw the result as a strong showing for Macri's coalition. What do the results of the primary portend for Argentina's Oct. 22 legislative election? What's at stake as voters choose a third of Argentina's Senate and half of its lower house? What would Fernández's election as a senator mean for corruption charges pending against her, and how will power dynamics in Argentina's Congress affect Macri's agenda?

A Mariano Vila, senior director for operations and corporate affairs at Llorente & Cuenca Argentina: "The Aug. 13 election served as a referendum on President Macri's administration and Cambiemos, his governing coalition in Congress. As a snapshot of voting intentions come October, Cambiemos strengthened its position nationwide, winning in 11 of the 24 districts, despite expectations to the contrary. The clearest example was evidenced in the Province of Buenos Aires, which pitted Esteban Bullrich against former President Cristina Kirchner. With Governor María Eugenia Vidal throwing her full weight behind Bullrich, the contest became a clear referendum between her and Kirchner. Defying expectations, Bullrich won within the margin of error, triggering a recount. If these intentions hold in October, Cambiemos could go from 89 to more than 100 deputies, and from 15 to 24

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TODAY'S NEWS

ECONOMIC

Mexico's Inflation Hits Highest Level Since 2001

A spike in gasoline prices at the beginning of the year and the peso's depreciation since late 2014 were seen as the causes.

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ECONOMIC

Head of Colombian Infrastructure Agency Resigns

Luis Fernando Andrade is currently under investigation in connection with the Odebrecht corruption scandal.

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POLITICAL

Venezuelan Gov't Pulls Plug on Colombian TV Networks

Venezuela ordered cable providers to remove RCN and Caracol from their lineups, accusing them of broadcasting what it said was a message from former Mexican President Vicente Fox that incited President Nicolás Maduro's murder.

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Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuelan Gov't Orders Colombian Networks Off Cable

Venezuela's government on Thursday ordered cable television providers to remove two Colombian networks from their lineups, a move that opponents of President Nicolás Maduro said amounted to a crackdown on free

“It's another demonstration of a regime that doesn't like freedoms, a regime that is restricting the freedoms of citizens.”

— Juan Manuel Santos

speech, Reuters reported. The government's telecommunications regulator called for the RCN and Caracol networks to be removed from cable systems for broadcasting what it said was a message inciting Maduro's murder. The message at issue was a comment from former Mexican President Vicente Fox who said, “Maduro, resign or you will die,” the wire service reported. Venezuela's government said it was within its rights to pull the plug on the networks. “The measure is within the bounds of the law, given that those stations over several months attacked Venezuela and [its] institutionality and now are openly calling for a magnicide,” said the government's statement. Maduro has frequently criticized Colombia, accusing it of being part of a right-wing conspiracy to topple his government. Earlier this week, Colombian President Juan Manuel Santos said that former Venezuelan Attorney General Luisa Ortega Díaz, who fled to Colombia and then Brazil after breaking with Maduro's government, would be granted asylum in Colombia if she requested it. Santos and Venezuelan opposition leaders denounced the Maduro government's

decision to remove the Colombian networks from cable systems. “One more channel off the airwaves! Has that made crime go down? Is inflation any lower? Is there more food? More medicine? Has any problem been solved?” Venezuelan opposition leader Henrique Capriles said Thursday, Reuters reported. Santos said the move its latest crackdown on its people. “It's another demonstration of a regime that doesn't like freedoms, a regime that is restricting the freedoms of citizens,” the Colombian president said. Maduro's opponents also say his government has sought to limit coverage of Venezuela's severe political and economic problems, including crackdowns on opposition politicians, soaring inflation and shortages of food, medicine and other basic goods. Earlier this year, the Venezuelan telecommunications regulator, Conatel, suspended three television stations, including CNN's Spanish-language service, accusing them of distorting the truth in their broadcasts. The government also removed Colombia-based network NTN24 in 2014 after it reported on violent anti-government protests, and it blocked Argentine news site Infobae. Also on Thursday, pro-government lawmakers said Venezuela's future constitution, which the country's new powerful constituent assembly is to write, will be put to a referendum, Agence France-Presse reported. “From next week, we will write the chapters of the new constitution,” said Delcy Rodríguez, the head of the new assembly, which this month declared itself superior to all other government institutions and gave itself the power to make laws, usurping the main function of the elected National Assembly.

ECONOMIC NEWS

Mexico's Inflation Rate Hits Highest Level Since 2001

Mexico's annual rate of inflation reached 6.59 percent for the first two weeks of August, higher than the expected rate of 6.49 percent and reaching its highest level since mid-2001,

NEWS BRIEFS

At Least 22 Killed in Capsizing of Ferry off Brazilian Coast

A ferry carrying approximately 130 passengers capsized off the coast of Brazil's Bahia state on Thursday, killing at least 22 people, Reuters reported. The incident was the country's second maritime accident this week in which passengers were killed. In a separate incident in Pará state, 21 people died and five remain missing after a boat that was not legally authorized to transport passengers sank on Tuesday.

At Least 16 U.S. Gov't Employees Treated After Sonic Attacks in Cuba

At least 16 employees of the U.S. government have been treated for symptoms including hearing loss following attacks with a sound device in Cuba, U.S. State Department spokeswoman Heather Nauert said Thursday, NPR reported. The odd medical symptoms began late last year, and Cuba's government has denied involvement. At last one Canadian diplomat has also experienced similar symptoms.

Head of Colombian Infrastructure Agency Resigns Amid Probe

The head of Colombia's national infrastructure agency, Luis Fernando Andrade, who is being investigated in the Odebrecht corruption scandal, has resigned from his post, Reuters reported Thursday. Andrade ran the agency, which was responsible for awarding contracts to build roads, bridges and other infrastructure, for six years. He is being investigated in connection with a five trillion peso, or approximately \$1.67 billion, contract the agency awarded to an Odebrecht-led consortium to build the Ruta del Sol II highway. Odebrecht employees have admitted to paying bribes in connection to the project.

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senators—still short of a majority, but with a stronger public mandate and more room to maneuver. This could help pave the way for Macri's legislative agenda, including tax and labor reforms. As we approach the October elections, three factors will play a key role: First, voters are likely to redirect their vote to candidates topping the list, such as Bullrich or Kirchner. While it is likely that Kirchner will earn a seat, her base is fixed around 30 percent, so the high volatility could have an impact on the outcome. Second, voter participation reached 75 percent during the primary, but could increase to 80 percent in October. The extra votes may influence the general result. Third, if the economy keeps improving, the governing coalition will benefit."

A **Heidi Lough, lead political risk specialist, and Megan Cook, political risk specialist, both at Cefeidas Group in Buenos Aires:**

"The Macri government's performance in the primaries exceeded all expectations. As well as seeing off a decisive victory from former President Kirchner (CFK) in the Senate race in Buenos Aires province, the governing coalition made major territorial gains across the country. This demonstrates the strength of the Cambiemos brand and discourse of 'change,' reflected in wins in key voting districts as well as traditional Peronist strongholds. Although CFK did sufficiently well to show she remains a potent political force, and will become a senator, her performance was not strong enough to position her as the undisputed leader of the Peronist party or for a presidential run in 2019. Given that the former president's run was likely motivated more by the leadership vacuum in the opposition than by a desire to seek congressional immunity from corruption charges, her weaker-than-expected performance in the primary casts uncertainty over her political future. That said, the primary result does not mean that the Cambiemos ideology is now the dominant force in Argentine politics—rather,

it means that the splits in opposition groups left the government with the largest share of the vote. Nevertheless, this 'symbolic victory' positions the government well to build on the momentum generated by achieving the largest vote count of any electoral front, and more broadly, legitimizes the government's reform agenda. Short of a major upset, the primary showing should translate into a similar result in October, which will put the government in good stead moving forward into the next congressional cycle. Assuming a carry-through result, Cambiemos will remain a minority alliance in both houses of Congress, but its negotiating position will significantly strengthen, improving outlook for the government's reform program and overall governability. That said, skillful political maneuvering will continue to be key to success in the legislature, particularly with contentious issues such as labor and tax reform on the horizon."

A **Charles H. Blake, professor of political science at James Madison University's School of Public & International**

Affairs: "Most polls projected that Cristina Fernández de Kirchner's list would win the primaries in the Province of Buenos Aires by 3 to 7 percentage points. Mauricio Macri's supporters claim that their ticket outperformed the polls in the battleground province that is home to one-third of the Argentine electorate; those polls also fuel kirchnerista allegations of electoral fraud. Moving forward, the kirchnerista ticket will attempt to do better in winning over supporters of Peronist alternatives than they did in the 2015 elections. The central political asset of the Macri government with an eye toward the 2017 (and 2019) elections is a divided opposition. Like Macri himself, Fernández de Kirchner has high positive and high negative approval ratings. Accordingly, elections can turn on what voters who dislike both leaders do with their votes. In these October mid-term elections, there are far more kirchneris-

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The Wall Street Journal reported Thursday. The country's consumer-price index (CPI) increased by 0.31 percent during the same period, higher than the expected 0.21 percent increase. A spike in gasoline prices at the beginning of the year and the effect of the peso's depreciation since late 2014 were the main causes of the increase in the inflation rate. Though the annual rate is likely to stay above 6 percent for the next few months, it appears to have reached its peak, Mexico's central bank said. Earlier this month, the Bank of Mexico kept its overnight interest rate unchanged at 7 percent, pausing after seven consecutive hikes. The central bank says it expects inflation to reach its target 3 percent by the end of next year.

BUSINESS NEWS

Raízen Nears Deal for Shell's Argentine Gas Station Network

Brazil-based energy company Raízen Energia is close to purchasing parent Royal Dutch Shell's Argentine gas station network for more than \$1 billion, two people familiar with the bidding said, Reuters reported Thursday. Raízen controls Brazil's second-largest chain of gasoline stations, and the company's non-binding bid beat out rival offers for the gas station network, including Argentina's state-run energy company YPF, Chile's Quinenco and China National Petroleum Corp's Petrochina. Shell said in a statement that it would not comment on any potential deals, and Raízen also declined to comment. Interest in Argentine assets has increased since President Mauricio Macri took office in 2015. So far this year, the value of announced mergers in Argentina has totaled \$10.847 billion, 15 times the amount for the same period in 2015. Shell put its network of 630 Argentine gas stations up for sale earlier this year as part of a \$30 billion divestment program as it looks to lower its debt levels following the company's acquisition of BG last year. The gas station network Raízen owns in Brazil currently uses Shell gasoline.

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ta seats up for election than macrista seats. Yet, while Macri's Cambiemos coalition aspires to build a legislative majority, the projected results are not overwhelming. Even if the razor-thin primary margin holds in Buenos Aires province, Cambiemos is projected to control just one-third of Senate seats and two-fifths of the lower house, with the biggest change being one that was already widely forecast: the kirchneristas will lose their ability to control the quorum in the Senate. While the kirchneristas managed to garner near-majority and majority levels of legislative seats during their recent presidencies, Mauricio Macri will need to reverse his climbing disapproval ratings to further improve his ability to govern."

A Santos Goñi, board member of the World Affairs Council of Greater Miami and retired Argentine career ambassador: "The Cambiemos coalition has achieved a clear national majority in the recent primary, which has strengthened President Macri's ability to pursue political reform and economic renewal. Indications are that the result will be confirmed on Oct. 22, reaffirming the electorate's preference for a policy of 'gradual change.' Only complacency on the part of Cambiemos' supporters could offer the divided Peronists an opportunity to unite and undo its present chance at consolidation as a national party. Polls show that the number of seats held in Congress today by the different parties will remain approximately the same. Nevertheless, the generational handover already evident in President Macri's Cambiemos coalition and the coming replacement of older opposition party members with younger candidates, should have a clear impact within their parliamentary groupings. Confronting such a new Congress with a second national electoral victory would enhance the administration's chances of passing its pending education, labor, tax and other reform bills. Once elected and until sworn in, candidates

facing trial would still remain subject to prosecution and arrest by the courts, which have thus become a feature of Argentine politics. A few days ahead of the new Congress that comes into session on Dec. 10, and by constitutional mandate, the chambers meet separately to examine the credentials of the senators and deputies-elect. Once approved, they receive their parliamentary immunity, instituted to preserve the separation of powers. It can later only be lifted under determined circumstances by special sessions of their respective chambers."

A Carlos Fara, president of Carlos Fara & Asociados in Buenos Aires: "There is no doubt that the result of the primaries in the Province of Buenos Aires (which represents 38 percent of the national electorate) allows us to project a probable triumph of the ruling party in the October general election, since the majority rejects Cristina Fernández de Kirchner. What is at stake is the consolidation of the direction of the government, beyond the concrete results that have been verified so far. That is why the primary elections have been, above all, of confidence and expectation. Even if Cristina Kirchner obtains the seat by the minority, that will not prevent the judicial proceedings against her from progressing, although the fact that she has parliamentary privileges makes it difficult to imagine her being imprisoned. The government will be strengthened in its parliamentary presence in both chambers of Congress as of December when the new legislators take over. However, it will continue to depend on negotiations in order to be able to approve the laws it seeks. In any case, the political impact of a victory in October on the opposing actors will be important, and their way forward would be paved."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2017

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org



Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
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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 freetrial@thedialogue.org

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