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## FEATURED Q&A

# What Will Eased U.S. Sanctions Mean for Venezuela?



Jorge Rodríguez, an ally of Venezuelan President Nicolás Maduro, and the opposition's Gerardo Blyde (L-R) signed an agreement last week to hold a presidential election next year. The deal led the United States to ease sanctions on Venezuela. // Photo: @NicolasMaduro via X.

**Q The administration of U.S. President Joe Biden on Oct. 18 announced a six-month easing of sanctions against Venezuela's oil and gas industry, a move that followed a deal between Venezuela's government and the opposition to hold a presidential election next year. The U.S. decision allows companies based in the United States and elsewhere to produce and export oil and gas from Venezuela and also to do business with state energy company PDVSA. What does the lifting of the sanctions mean for Venezuela's oil and gas sector and for President Nicolás Maduro's government? How likely is Maduro to adhere to the terms of his deal with the opposition, and what will happen if he does not? How much of a possibility does the opposition have of defeating him in an election next year?**

**A Michael Shifter, senior fellow and former president, and Andrea Colombo, former intern, both at the Inter-American Dialogue:** "The decision to gradually lift U.S. sanctions on Venezuela's oil and gas sector has been in the works for some time. It represents the culmination of a process that the Biden administration undertook in March 2022 to open a direct channel of communication with the Maduro regime. The timing of the move can be understood in relation to the agreement reached between the Venezuelan government and the opposition's Unitary Platform in Barbados to hold elections in late 2024, release political prisoners and allow international observation. For the opposition, the accord is certainly a step forward—albeit a modest one—on the long road toward an eventual democratic transition. Uncertainties abound, especially regarding the deal's imple-

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Venezuela's government on Wednesday launched an investigation into the opposition's primary election amid accusations of electoral violations and financial crimes.

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## Fernandes Tapped to Head Brazil's State-Run Caixa

Brazilian President Luiz Inácio Lula de Silva on Wednesday named Carlos Antônio Vieira Fernandes as CEO of state-run lender Caixa Econômica Federal.

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### POLITICAL

## Bullrich Endorses Milei Ahead of Argentina Runoff

Patricia Bullrich, the conservative former security minister who placed third in the first round of Argentina's presidential election, endorsed right-wing populist Javier Milei ahead of the Nov. 19 runoff.

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Bullrich // File Photo: Facebook Page of Patricia Bullrich.

## POLITICAL NEWS

## Venezuelan Gov't Launches Probe of Opposition Primary

Venezuela's government on Wednesday launched a criminal investigation into the opposition's primary election, which organizers said attracted more than 2.3 million voters last Sunday and was organized without the government, Reuters reported. The probe, which lawmaker José Brito had requested, centers on accusations of electoral violations, financial crimes and conspiracy, attorney General Tarek William Saab said at a press conference. The accusations of electoral law violations are due to the primary being organized without the National Electoral Council, said Saab. Earlier this month, the opposition declined the electoral council's offer of assistance and its request to delay the balloting until November after the council waited several months to respond to the opposition's request for help, Reuters reported. Saab also said two million people who neither participated in the primary nor registered were listed on the voter rolls, and the vote's funding has not been made public. "Obviously it is a fraud, who financed this, who is behind it?" said Saab. "The funds are not known. Who provided them?" he added. On Tuesday, National Assembly President Jorge Rodríguez said partial results showing that at least 1.6 million people participated were mathematically impossible given the number of polling stations and the time that it takes to cast a ballot, the Associated Press reported. "What happened this past Sunday was not an election, it was a farce, it was a scam," said Rodríguez. The opposition and the winner of the primary, María Corina Machado, have repeatedly said that the vote was fair and transparent, Reuters reported. "This is the reaction to the monumental challenge to the regime that were the primaries," Machado said in a posting on social media site X, previously known as Twitter. "We Venezuelans participated in an exemplary citizen election, the results of which we all trust," Machado added. The primary was

held just days after the United States eased some sanctions on Venezuela's oil industry for six months following a deal between Venezuela's government and the opposition to hold a presidential election next year. The deal includes an agreement for international observers and for each side to choose its own candidate, Reuters reported. U.S. officials have threatened to reimpose sanctions if the government does not lift bans in order to allow some candidates, including Machado, to hold office.

## Bullrich Endorses Milei Ahead of Argentina Runoff

Patricia Bullrich, a conservative former security minister who placed third in the first round of Argentina's presidential election, on Wednesday endorsed right-wing populist Javier Milei ahead of the Nov. 19 runoff, the Associated Press reported. Current Economy Minister Sergio Massa placed first in Sunday's first round, garnering 37 percent of the vote. Milei placed second, with 30 percent, and Bullrich received

“We are faced with the dilemma of change or the continuation of a mafia-style governance for Argentina...”

— Patricia Bullrich

24 percent of the vote, failing to advance to the runoff. Bullrich said Wednesday that she was endorsing Milei despite their differences. "In the case of Javier Milei, we have differences, and that's why we competed. We don't overlook them. However, we are faced with the dilemma of change or the continuation of a mafia-style governance for Argentina and putting an end to the shame of the present. We have the obligation not to remain neutral," Bullrich told reporters. The country needs a fundamental change," she said, adding that Argentines risk a

## NEWS BRIEFS

## At Least 27 People Killed as Powerful Hurricane Otis Strikes Acapulco

At least 27 people were killed and four others remain missing after Hurricane Otis slammed into the Mexican resort city of Acapulco on Wednesday, Federal Security Secretary Rosa Ikena Rodríguez said this morning at President Andrés Manuel López Obrador's daily news conference, the Associated Press reported. Tens of thousands of people suffered damage to their homes and still have no electricity after Otis struck Mexico's Pacific coast as a powerful Category 5 hurricane. López Obrador said he sent officials to the area and would soon visit himself.

## Brazil's Petrobras, Bolivia's YPF Eye \$2.5 Bn Investment in Urea Facility

Brazilian state-run oil company Petrobras and Bolivia's Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) are in negotiations over a \$2.5 billion investment in a new urea and ammonia plant close to the border shared by the two countries, YPFB said on Wednesday, Reuters reported. The investment cost would be split by the two countries, with the new plant expecting to produce 4,200 metric tons of product per year.

## Australia-Based Azure Minerals Taking Over Chile's SQM for \$1.03 Bn

Australia's Azure Minerals announced today that it is taking over Sociedad Química y Minera de Chile (SQM), the Chilean mining giant, Reuters reported. The equity value is \$1.03 billion for Azur, the world's second-largest lithium chemicals maker. "Azure Board unanimously recommend that Azure shareholders support the transaction by voting in favor of the scheme ... in the absence of a superior proposal," the company said in a statement.

“continuation of the worst government in history,” the AP reported. Bullrich said that while she was also speaking for her running mate, Luis Petri, she was not speaking on behalf of their coalition, indicating that neither her center-right PRO party, nor the broader United for Change coalition, supported the endorsement of Milei. Gerardo Morales, the leader of the Radical Civic Union Party, which is part of Bullrich’s coalition, called the endorsement “irresponsible,” adding that the party would endorse neither Milei nor Massa, Reuters reported. [Editor’s note: See related [Q&A](#) in Tuesday’s Advisor.]

## BUSINESS NEWS

# Brazil’s Lula Taps Fernandes to Head State-Run Caixa

Brazilian President Luiz Inácio Lula de Silva on Wednesday chose Carlos Antônio Vieira Fernandes as CEO of state-run lender Caixa Econômica Federal, Reuters reported. Fernandes is a longtime employee of the bank, which administers social security benefits, according to The Brazilian Report. Fernandes, who also led Caixa’s employees’ pension fund, Funcef, replaces Rita Serrano, who was dismissed in the aftermath of a June cabinet shakeup to make space for a powerful Centrão, or center-right, bloc of lawmakers, Reuters reported. Earlier this year, Caixa sponsored an art exhibit in Brasília that included images of some Centrão politicians, as well as Paulo Guedes, former economy minister under previous President Jair Bolsonaro, in a trash can. The exhibit was heavily criticized as a misuse of federal funds and was said to have bothered Lula himself, O Globo reported Wednesday. “During her time in office, Serrano carried out an important mission to recover the management and internal culture of Caixa, valuing its staff and resuming the bank’s role in various social policies, while at the same time increasing its efficiency and profitability,” the presidential palace said in a statement.

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mentation. The chief unresolved question is whether María Corina Machado—who garnered the support of more than 92 percent of the 2.4 million Venezuelans who voted in the opposition’s primary on Sunday—will be allowed to compete in next year’s election. U.S. officials insist that she will be able to run, while Maduro remains adamant that she is banned (for bogus reasons). It is hard to imagine that the regime would make any decision that risks its perpetuation in power. Moreover, despite warnings from senior officials to the contrary, it would be difficult for the United States to reimpose sanctions once they are lifted should Maduro fail to comply with the terms of the agreement. For Maduro, the shift in U.S. sanctions policy is welcome and will give the government additional resources during an election year. And for the United States, the new approach will help oil and bond markets and could also relieve some migration pressure during a critical election year.”

**A** **Vanessa Neumann, CEO of Asymmetrica and former Juan Guaidó-appointed Venezuelan ambassador to the United Kingdom:** “The easing of sanctions on Venezuela’s oil sector achieves a number of U.S. policy objectives: 1.) It gets the United States off the hook as the target of Cuban-style messaging to poor Venezuelans inside Venezuela that their woes are due to a ‘gringo blockade;’ 2.) It generates ‘loss aversion’ in the dictatorship. In behavioral modification techniques, people are more motivated not to lose something they already have (money flowing), than they are by the promise of something new. The hope is the dictatorship will not want to give back the carrot and will thus behave accordingly; and, 3.) It opens up what the West really wants: the natural gas out of the Dragón fields, processed at the Port of Spain LNG plant. Shell, with financing from the Qatar Investment Authority, will be ramping up vast additional supply of non-Russian LNG that is critical to

Western interests in Latin America and the European Union, as well Biden’s Inflation Reduction Act environmental program. As the Ukraine war drags on, this LNG is another way to corner Russia. However, it also upsets two constituencies. First, the domestic U.S. oil sector, which wants more drilling rights and domestic production. It immediately came out batting with fury, as it is mostly hard right. Second is the Venezuelan hardliners, who insist on continued pressure and remain skeptical that the dictatorship can be budged. The latter will be appeased if there is something resembling a democratic process next year. The former may never be appeased. María Corina Machado’s avalanche win in the primaries gives her key domestic and international legitimacy, so even if the 2024 election is stolen, the pressure is on.”

**A** **Gustavo Roosen, member of the Advisor board and president of IESA in Caracas:** “Venezuela’s political economic environment is in a state of general uproar. The opposition primary elections and the agreements reached between the regime and the Biden administration share prominence in the Venezuelan political arena. The fact that the primary election was held as planned is closely related to the international pressure to seal the agreement. The most relevant change in U.S.-Venezuela relations comes in the form of the license that sets forth the do’s and don’ts associated with PDVSA, but with a term of only six months. The continuation of these licenses is conditional on the tangible fulfillment of the intention of the signed agreements. U.S. officials revealed a detail of particular importance, an early verification point to ensure that the process maintains the desired course. Antony Blinken detailed that before November, the regime must begin the release of political prisoners and commit to eliminating candidate disqualifications. The release of prisoners has already started, but the elimination of candidate dis-

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qualifications is turning into a headache for Maduro regime. If there is a noncompliance of the agreements, the Biden administration will reimpose sanctions. Under full compliance, several types of transactions will occur: 1.) change of crude export destination, 2.) remediation and drilling work in some of the joint ventures, and 3.) swap deals to satisfy internal market demand of fuels and other items, including refinery spare parts and equipment. The export redistributions to more lucrative markets, such as the U.S. Gulf Coast, require large discounts and excessive transportation costs, could represent an incremental income of some \$500 million per month when fully implemented. The second type of transaction requires more time and might require changes in the legal and fiscal systems, depending on the specific opportunity. At least a six-month lag time is required to launch any of these projects, therefore production increases from this type of endeavor will not be significant. By the end of 2024, hydrocarbon income will be twice its current levels, and compliance with a fair and verifiable presidential election process would lead to a new government that could get widespread international recognition.”

**A** **Javier Coronado, partner at Diaz, Reus & Targ, LLP:** “The lifting of the sanctions gives PDVSA’s contractors more room to recover their debts and resume business operations. It may also lead to an increase in Venezuelan oil exports to the United States. However, the sanctions lifting is temporary, several key prohibitions remain in place and the new regulations do not authorize the release of blocked property or transactions involving blocked persons other than PDVSA. Accordingly, and considering that Venezuelan crude production and trade have been

on the decline for some time, the easing of sanctions is unlikely to have an immediate impact on oil output and investment. There is some ambiguity surrounding Maduro’s commitments under the election road map. After Oct. 18, Maduro’s representatives have continued to acknowledge that each

“**The easing of sanctions is unlikely to have an immediate impact on oil output and investment.”**

— Javier Coronado

side should be able to choose presidential candidates. However, they have expressed reservations about lifting bans from public office such as that of opposition front-runner María Corina Machado. International scrutiny might encourage Maduro to meet the opposition’s expectations regarding the presidential election. Notably, the U.S. government has emphasized that it is prepared to amend the lifting of sanctions or reimpose them if Maduro fails to follow through on his commitments. This month’s achievements of the opposition, such as the incorporation of international observers to oversee the electoral process, bolster the opposition’s prospects of success in next year’s election. Nevertheless, these prospects hinge on factors like cohesive collaboration among opposition parties and their ability to re-engage with a Venezuelan electorate that may have become disenchanted with the political landscape.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.*

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