

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Dirk Donath

Senior Partner,
Catterton Aimara

Barry Featherman

Senior Director,
International Government Affairs,
Gilead Sciences

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

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

Carl Meacham

Associate VP for Latin America
Int'l Advocacy Division, PhRMA

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

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

What Will a Change in Leadership Mean for Cuba?



Miguel Díaz-Canel is widely expected to ascend to Cuba's presidency in February, marking the first time in decades that the country's president will not be a member of the Castro family. // File Photo: Cuban Ministry of Foreign Affairs.

Q Cubans cast ballots for ward delegates on Nov. 26, the beginning of a months-long election process that is expected to culminate in February with the selection of a new president to replace 86-year-old Raúl Castro. First Vice President Miguel Díaz-Canel is widely expected to succeed Castro, marking the end of nearly 60 years of leadership by the country's revolutionary generation. What will a new president and the departure of the Castros from the presidency mean for Cuba? What do external factors, such as Venezuela's crumbling economy and the return of frosty relations with the United States, mean for Cuba, and how will it adapt? Are younger generations of Cubans aligned with their communist leaders?

A Daniel Erikson, managing director at Blue Star Strategies: "Cuba's forthcoming political transition will raise more questions than it answers. The Castro dynasty is not known for its timely retirements, and it is about to take its biggest risk yet if Raúl Castro does indeed, as anticipated, step back from power and hand the reins over to Miguel Díaz-Canel. A Communist Party bureaucrat who was little-known when he was initially designated first vice president and the next in line behind Raúl, Díaz-Canel remains relatively untested on both the domestic and international stage. Earlier this year, leaked video of him criticizing Cuban opposition figures both raised and complicated his profile, signaling that he may continue a more hardline approach (although some analysts surmised that the video was a campaign stunt intended to win support among the party hierarchy.) Like Fidel, Raúl Castro is likely to relinquish his positions as the president of Cuba's Council of

Continued on page 3

TODAY'S NEWS

POLITICAL

Mexico's PAN Chief Steps Down to Seek Presidency

Ricardo Anaya, the head of Mexico's conservative National Action Party said he would seek the presidency as the candidate of a left-right alliance.

Page 2

BUSINESS

Uncertainty May Harm Consumption: Banamex CEO

Uncertainty surrounding the NAFTA talks may harm consumer confidence and consumption in Mexico, said the chief executive officer of Banamex.

Page 3

POLITICAL

Some Opposition Parties to Be Banned From Vote: Maduro

Opposition parties that did not participate in Sunday's mayoral elections in Venezuela will be banned from participating in next year's presidential election, said President Nicolás Maduro.

Page 2



Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Maduro: Some Opposition Parties to Be Banned From Vote

Some of Venezuela's main opposition parties will be banned from participating in next year's presidential election because they did not participate in Sunday's mayoral elections, said President Nicolás Maduro, CNN reported. "The other parties, Voluntad Popular, Primero Justicia, have disappeared from the Venezuelan political map and today disappear totally," Maduro told supporters and reporters after casting his

“We have a big victory!”

— Nicolás Maduro

vote in the mayoral elections. "Parties that did not participate today and have called for voters to participate in a boycott cannot participate anymore [in elections]." Maduro added that the powerful "constituent assembly" that his government created earlier this year endorsed prohibiting the parties from participating in next year's planned election. "That is the criteria that the National Constituent Assembly had put forward, constitutionally and legally," said Maduro. "And I, as chief of state, support them." Venezuela's election commission did not comment Sunday on Maduro's statement. Some of the country's main opposition parties did not field candidates in Sunday's mayoral elections and also called on voters to boycott the vote. Maduro's opponents say fraud occurred in the country's gubernatorial elections last October, alleging irregularities before, during and after the election. Some opposition parties have said they will not take part in any further elections until a new electoral commission is named. In Sunday's mayoral elections, early results showed Maduro's allies dominating the vote, winning nearly all of the country's major cities, The New York Times reported.

Candidates of the ruling United Socialist Party of Venezuela won the mayoral races in all but one of the country's 40 municipalities, election authorities said. "We have a big victory!" Maduro exclaimed to supporters in Bolívar Plaza in Caracas. "A popular, democratic, free, sovereign victory of an independent country!"

ECONOMIC NEWS

Brazil's Lower House Must Vote on Pension Bill This Year: Temer

Brazilian President Michel Temer on Friday said the lower house of Congress must vote on the pension reform bill, which he says is "indispensable" to reducing the country's budget deficit, before the end of the year, Reuters reported. The speaker of the lower house, Rodrigo Maia, earlier in the week said he would not put the legislation to a vote until the government had secured the 308 votes needed for the legislation's passage. In order to give more time for negotiations, Temer



Temer // File Photo: Brazilian Government.

agreed with congressional leaders on Thursday to push the vote back to the week of Dec. 18. Temer on Friday said he expected the Senate to vote on the bill in February, once it clears the lower house. The reform would increase the retirement age and the age at which Brazilians can collect social security. It would also lower pension payouts for Brazil, which currently has some of the most generous payouts in the world. Temer acknowledged some legislators' concerns about passing such a reform ahead of next year's elections, given the bill's

NEWS BRIEFS

PAN Chief Steps Down to Run for Mexico's President in Left-Right Alliance

Mexican opposition leader Ricardo Anaya stepped down as head of the conservative National Action Party, or PAN, and said he would run for president in a left-right alliance, Reuters reported Sunday. Anaya resigned from his position leading the PAN after joining with the center-left Party of the Democratic Revolution, or PRD, and the Citizens Movement party in the "For Mexico in Front" coalition. The left-right coalition has yet to select its leader, but Anaya is considered the front-runner. Mexico City Mayor Miguel Ángel Mancera was seen as a contender for the coalition's presidential candidate, but on Saturday said he would not run.

U.S. Reportedly to Tap Robinson as Top Envoy to Venezuela

U.S. President Donald Trump's administration has selected Todd D. Robinson as its top diplomatic envoy to Venezuela, the Associated Press reported Friday, citing the office of Rep. Ileana Ros-Lehtinen (R-Fla.). Robinson had previously served as ambassador to Guatemala, where he was known for speaking candidly and faced several calls for his expulsion. The State Department did not respond to the AP's request for comment.

Peru's Kuczynski Acknowledges Links to Odebrecht

Peruvian President Pedro Pablo Kuczynski on Saturday acknowledged he had worked as a financial advisor for a project owned by Brazilian construction conglomerate Odebrecht, which has been at the center of a massive international corruption scandal and has admitted to paying \$30 million in bribes in Peru alone to secure government contracts, Reuters reported.

unpopularity among Brazilians, but he said the bill was indispensable to Brazil's economic recovery after the country suffered its worst recession on record. If the vote is delayed even further into next year, its chances of passage decrease as lawmakers become more sensitive to voters' demands ahead of the elections. Temer's appeal for support of pension reform came as Congressman Antonio Imbassahy on Friday resigned from his position as institutional relations minister, in which he had been a middleman between Temer and Congress, the Associated Press reported. Imbassahy is the second minister from Temer's PMDB party to resign from his cabinet in recent weeks. Imbassahy said after his resignation that he would still remain loyal to Temer.

BUSINESS NEWS

NAFTA Uncertainty May Harm Buying: Banamex CEO

Uncertainty surrounding the renegotiation of the North American Free Trade Agreement, or NAFTA, may affect Mexicans' consumption and consumer confidence, said the chief executive officer of Grupo Financiero Banamex, Riviera Maya News reported Sunday. "It is important because it can change the feelings of people when making economic decisions," said Ernesto Torres Cantú. "And if that changes, it can affect consumption in the domestic market, independently of the damages that insecurity causes itself." The uncertainty surrounding the NAFTA talks may cause volatility in the first half of next year, said Torres Cantú. "The central scenario is to renegotiate," he said. The other risk is related to public safety, "Which is very important since it can affect the perception and feelings of people," he told reporters. Despite first-half volatility, Banamex is expecting stronger growth next year in Mexico than the country has seen this year. The candidates running for president in next year's election in Mexico must commit to macroeconomic stability, he added.

FEATURED Q&A / Continued from page 1

State and Council of Ministers, while retaining his post as the head of Cuba's Communist Party, the highest controlling authority on the island. Therefore, Díaz-Canel will need to contend with multiple constituencies—the Castro brothers' legacy and their heirs, the aging but influential revolutionary vanguard, the middle and younger generations who want to join the middle class (either in Cuba or abroad), and a government bureaucracy that has been historically anxious about change. The Cubans will also need international partners to achieve political and economic modernization, but these are in increasingly short supply. Raúl Castro's gamble to forge better ties with the United States now looks naïve; Fidel Castro's earlier bet on Venezuela has proven disastrous; and natural partners in Europe and Latin America are contending with their own domestic and international troubles. Even the Chinese are indicating that their economic support for Cuba will come with more strings attached. Against this backdrop, is Miguel Díaz-Canel really the leader who can steer Cuba through these rocky shoals and find safe harbor? We'll soon find out."

A Jaime Suchlicki, director of the Cuban Studies Institute at the University of Miami: "The departure of Raúl Castro from the presidency will mean very little for Cuba. General Castro will remain secretary general of the Communist Party and leader of the military. Political power in Cuba rests in the hands of the politburo, while economic power rests in the hands of Gaesa and its president, Luis Alberto López-Callejas, Raúl Castro's son-in-law. The designated president, Miguel Díaz-Canel, lacks support within the party or within the military. He will follow the dictates of Raúl and the politburo. The possible collapse of the Venezuelan economy and the end of the Maduro regime will affect Cuba, but much less than the collapse of communism. Cuba now has tourism, a dollarized economy and remit-

tances from Cuban-Americans, that it did not have before 1990. For Cuba, relations with the United States are only important because of tourism and the possibility of ending the embargo. Otherwise, General Castro will continue to rely on support from his traditional allies: Russia, China and Iran. The Cubans will continue to muddle through, hoping for better times. Younger Cubans are increasingly restless and hopeful for real change. Unfortunately, they may have to wait a while longer."

A Paul Hare, senior lecturer at the Frederick S. Pardee School of Global Studies at Boston University and former British ambassador to Cuba: "Government media will seek to portray the succession as business as usual, but it won't be. Díaz-Canel has had a five-year long product launch, but still has no brand. So, assuming he is the next president, he will first seek to reassure those who fear change by continuing free education and health care, without rampant inequality. But, unlike the Castros, he did not win in 1959 nor build the revolution. He may have a short time to prove himself. Díaz-Canel needs to offer Cubans a standard of living that goes beyond survival. He has had plenty of time to prepare. But Raúl and the rest of the Castro clan will be breathing down his neck. Cuba is still far from viable without international subsidies and credit. Venezuela is not a long-term bet. There is no Soviet Union or Chávez willing to back Díaz-Canel unconditionally. Today, Russia and China will insist Cuba starts implementing economic policies that provide for genuine wealth creation. Meanwhile, the Trump administration has handed some key cards back to the revolution. Cuba can blame the United States for most of its economic malaise. The young will remain apathetic unless Díaz-Canel reinvents himself. But they will be less deferential, because the revolution means little to them. They want to make money, buy iPhones and scrap absurd

Continued on page 4

FEATURED Q&A / Continued from page 3

controls. Díaz-Canel has a tightrope to walk, with many in the military perhaps hoping he falls off. Sensing this, a canny leader might actually listen to Cubans.”

A Jonathan Benjamin-Alvarado, assistant vice chancellor for student affairs and professor of political science at the University of Nebraska Omaha: “When you couple Raúl’s departure with the reality that for the most part, Cuba is truly politically and economically independent, the next president has a colossal task ahead. While Díaz-Canel is the favorite to assume that role, we know very little of his leadership and management style. This is important, because like Raúl before him, he must manage a struggling Cuban economy and a de facto drain of human capital that is now spread across Europe and the Americas. Cuba is in a bind over its energy supply, as it has been for the past 25 years. The Venezuelan tie to oil in reality was only a stop-gap, as Cuba never fully addressed the chronic question of energy security for Cuba. The loss of Venezuela’s oil supply to the island has already had a devastating impact on the economy and, as this insecurity becomes the norm, it constrains and limits all economic possibilities in Cuba. U.S. relations, while frosty, still allow for some progress as it presently stands. However, Cuba will be compelled to continue to diversify its external links to other sources of investment and tourism, but my fear is that it will not be enough. The next president will have to develop a strategy to ameliorate its relations with the United States to the fullest extent possible. Raúl set into motion some very powerful forces by breaking some of the long-held ideological obstacles to wider participation in the global economy. The question now becomes, will travel, remittances, increased purchasing power and nascent business opportunities be enough to satisfy the younger generations? Ironically, Cuba faces the same dilemma that it did in the period before the revolution: under-employment of its college educated youth. The

tell-tale will be the extent to which the party leadership can create opportunities for this segment while ostensibly maintaining some elements of the social welfare system for the future. If not, we should expect that the brain drain will continue, for economic—not political—reasons.”

A Karel Suarez, associate attorney at Diaz Reus & Targ: “The principal difference is found in the Cuban government’s permitting a new generation to lead. Critically, this comes at a time when the younger generation, both in Cuba and in the United States, is willing to negotiate and leave failed policies behind. Things will not change in Cuba from one day to the next, but at least we have seen sporadic changes in the Cuban government since Raúl Castro came to power. Symbolically, there will be a political benefit to replacing Raúl Castro as the head of state, as many people in the United States have opposed an improved U.S.-Cuban relationship simply because a Castro was still in power. Currently, the relationship between Cuba and Venezuela hurts Cuba more than it helps. Cuba and the new generation in power will have to decide whether to continue the close relationship with Venezuela, which harms Cuba’s relationship with the United States, or begin separating from Venezuela in order to clear the way for a stronger relationship with the Trump administration. As for the younger generation in Cuba, they are overwhelmingly in favor of sitting down and negotiating with the Trump administration to improve relations. However, they feel just as strongly as their elders when it comes to the need for a sovereign Cuba, free from hegemonic influence from the north. Indeed, in a general sense, Cubans are entirely willing to work toward a better life and society through engagement, but remain hesitant and concerned that too much change in rapid fashion will transform Cuba into a ‘tourist-first’ destination that fails to put the Cuban citizen’s needs in paramount focus.”

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