

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.

W. Bowman Cutter

Former Partner,
E.M. Warburg Pincus

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, ManattJones
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

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

Do Funding Cuts Threaten Brazil's Innovation Plans?



The cut to Brazil's science budget is part of President Michel Temer's austerity measures. // File Photo: Brazilian Space Agency.

Q Brazil's government on March 30 announced a 44 percent cut to the federal science budget. That funding reduction leaves the country's Ministry of Science, Technology, Innovations and Communications with a budget of just under \$900 million, its lowest level in more than a decade, according to the journal *Nature*. What will be the consequences of the funding cuts in the near term and for Brazil's economy in the long term? To what extent will the cuts affect "innovation" businesses in Brazil, such as ones involved in medicine and technology? Will cooperation between Brazilian scientists and ones in other countries diminish?

A Paula R. Pohlmann, assistant professor of medicine in the Division of Hematology and Oncology of the MedStar Georgetown University Hospital and Lombardi Comprehensive Cancer Center: "Although disturbing, the cut was not unexpected. It is not under debate that Brazil's government needs to implement substantial changes on current mandatory and discretionary spending so that the country regains economic growth. However, the areas affected by the 44 percent cut are not responsible for the current bulk of federal spending and debt. This significant cut in the science budget unfortunately does turn back the clock of progress, directly and immediately affecting innovation capacity in the country. The consequences may last for decades. This cut will affect universities, businesses, factories and laboratories (human and material resources). Since science is a fundamental piece of innovation, the cut irredeemably affects the predictability of the entire process, ultimately shaking commercialization potential

Continued on page 3

TODAY'S NEWS

POLITICAL

Venezuela's Maduro Calls for Talks With Opposition

Venezuelan President Nicolás Maduro called for talks with his opponents and also expressed support for holding local elections. His statements came amid a wave of deadly protests in the South American country.

Page 2

ECONOMIC

Political Scandals Hindering Brazil's Economy: Fraga

Former central bank chief Arminio Fraga said political scandals are holding back Brazil's economy.

Page 3

POLITICAL

Ecuador Fines Media Outlets for Not Covering Story

Ecuador's government is fining newspapers and television stations for not publishing a story about right-wing presidential candidate Guillermo Lasso's supposed offshore interests. The media companies have appealed.

Page 2



Lasso // File Photo: Lasso Campaign.

POLITICAL NEWS

Venezuela's Maduro Calls for Talks With Opposition

Venezuelan President Nicolás Maduro on Sunday called for talks with the opposition and expressed support for scheduling local elections amid weeks of violent protests that have claimed more than 21 lives, UPI reported. "I am clinging to peace, to love, I'm clinging to dialogue and to fight every day for the motherland," Maduro said during his weekly television



Maduro // File Photo: Venezuelan Government.

program. "Election. Yes, I want elections now. That is what I say as the head of state and as the head of government." He did not mention a presidential election, though he said previously that next year's presidential election will happen as planned. Venezuela was to have gubernatorial and mayoral elections last December, but the National Electoral Council postponed the balloting. Talks last year between Maduro and the opposition broke down after the Democratic Unity Roundtable opposition coalition accused Maduro of breaking agreements and using the talks just to buy time. At least 21 Venezuelans have been killed during protests since April 6. The demonstrations have mainly been against Maduro's government, though some pro-government demonstrations have also been held. The opposition and Maduro have blamed each other for the deaths, with Maduro saying the anti-government demonstrations amount to an attempted coup against his government. Another nationwide anti-government protest is scheduled for today. The wave of violent protests began after Venezuela's Supreme Court effectively dissolved the oppo-

sition-controlled National Assembly, a move it later reversed. Earlier this month, Venezuela's comptroller's office also barred opposition leader Henrique Capriles, the governor of Miranda state and a possible presidential candidate next year, from holding elected office for 15 years. [Editor's note: See [Q&A](#) on Venezuela in the April 12 issue of the Advisor.]

Ecuador Fines Media Outlets for Not Covering Story

The Ecuadorean government is fining seven media companies for not publishing a story the government has deemed of public interest, BBC News reported Sunday. The government's media watchdog agency, known as Supercom, said the press had an obligation to cover a story about the supposed offshore dealings of right-wing presidential candidate Guillermo Lasso, who lost in the country's April 2 election. The story was first published in left-wing Argentine newspaper *Página 12* in March, and was subsequently picked up by other Ecuadorean news outlets before the country's April 2 runoff election between Lasso and left-wing candidate Lenín Moreno. Supercom and the media companies have accused each other of censorship, and the media companies have appealed the fines. The watchdog fined newspapers *El Comercio*, *La Hora*, *Expreso* and *El Universo*, and television channels *Telecentro*, *Telemazonas* and *Ecuavisa* \$3,750 each. Supercom's superintendent, Carlos Ochoa, said the fines were a punishment and a motivation for improving journalistic practices. A lawyer for *El Universo* said he plans to exhaust "all administrative and judicial options to annul this absurd sanction." Local free speech organization *Fundamedios* condemned the fine, saying "It is an act of censorship designed to give the government the role of editor of all media, deciding what to publish or not." Supercom's decision to fine the media outlets falls under the jurisdiction of a controversial communications law introduced by President Rafael Correa in 2013 that gives the government the authority to sanction media outlets.

NEWS BRIEFS

Brazil May Increase Odebrecht's Fine for Corruption

Brazil's attorney general's office said it may increase the \$2.4 billion corruption fine that construction conglomerate Odebrecht has agreed to pay the government in a multi-billion dollar leniency deal the firm signed last year, Reuters reported Sunday, citing *Folha de S.Paulo*. Odebrecht in December had agreed to pay a total of \$3.5 billion in a deal with Brazil, the United States and Switzerland.

Rubio Denies Role in Trump's Encounter With Ex-Colombian Presidents

U.S. Senator Marco Rubio (R-Fla.) denied having any role in an April 14 encounter between President Donald Trump and former Colombian Presidents Andrés Pastrana and Álvaro Uribe at Trump's Mar-a-Lago resort. "I didn't even know they were in Florida," Rubio said Sunday on NBC's "Meet the Press." Colombian media reported last week that Rubio had set up a meeting between the former Colombian presidents, who are critical of the country's peace deal with the FARC rebels, and Trump. The White House characterized the encounter as only a chance greeting when Trump walked by, but Pastrana tweeted a note of thanks to Trump that evening "for the cordial and very frank conversation about problems and perspectives on Colombia and the region."

Dominican Republic Boosts Border Security Ahead of U.N. Departure

The Dominican Republic has increased the number of security forces along the border with Haiti as the United Nations moves to withdraw its peacekeepers associated with the MINUSTAH program in Haiti, The Jamaica Observer reported Sunday, citing Dominican Defense Minister Rubén Darío Paulino.

FEATURED Q&A / Continued from page 1

of new Brazilian products. It decreases Brazilian competitiveness when developing technologies that could have global applications; hinders the capacity of scientific Brazilian groups to tackle local problems with unique solutions; limits the number of trainee positions, capping the number of innovators for an entire generation; and it also skews faculty focus to alternate activities, eliminating existing and future development branches. The overall weakening of Brazilian innovation by radically cutting the science budget in turn creates a unique opportunity for international collaboration in exploring sudden Brazilian needs: it empowers international enterprises to negotiate with Brazilian institutions and to offer jobs for outstanding Brazilians. We agree it is not sustainable to maintain federal funds as a main resource for the innovation process in the country. However, we would expect policies increasing predictability of the process and incentivizing private sector to come up, prior to decelerating Federal support."

A **Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue:** "The cut is one more serious blow to Brazil's efforts to build high quality research and academic institutions. Indeed, this is the third year running that government science and technology budgets have been cut back, reflecting the country's sharp economic downturn. Brazil had been making considerable progress toward establishing itself as an important center of research and technology development. Its top universities were among the highest-ranked in Latin America. Brazil was publishing more world-class research papers than any other nation in the region and was second in its per capita scientific production. Although it is hard to be very precise about the impact of any country's research and technology sector on its economic success, several clear links can be identified in Brazil. Investments in agricultural-related research, for

example, played a central role in expanding the nation's arable land and making it the world's second-largest food exporter, and its largest mining company is among the most technically advanced anywhere. Brazil

“**Shrinking budgets will damage Brazil's scientific output for years to come.**”

— Peter Hakim

became a global leader in deep-sea oil drilling. It boasts a highly sophisticated and successful airline production industry. It has also made important strides in more basic research, including a world quality mathematics institute. Shrinking budgets will damage Brazil's scientific output for years to come. Established centers of excellence will have to retrench. New centers will not emerge. Talented scientists and engineers will seek positions overseas, while it will be difficult for Brazil to recruit visiting researchers from abroad. Cooperative programs with the United States and elsewhere will be weakened, and new programs will be more difficult to develop. The quality of teaching in Brazil's schools and universities will diminish. The costs are not readily quantifiable, but science and technology research and development is an investment in the future. Unhappily, it has today become a luxury which an economically debilitated Brazil is scarcely able to afford."

A **Katherine Bliss, senior associate of the Global Health Policy Center of the Center for Strategic and International Studies (CSIS):** "The announced cuts to Brazil's budget for scientific research are part of a larger process by which the Temer administration proposes limits to public spending in order

Continued on page 4

ECONOMIC NEWS

Political Scandals Hindering Brazil's Economy: Fraga

The former head of Brazil's central bank, Arminio Fraga, said political scandals across the country are holding the economy back from reaching its full growth potential, Bloomberg News reported Monday. Normally, a strong economic rebound will follow a recession such as the one Brazil recently emerged from, "but right now it feels like a small bounce," Fraga said. "The only reason we don't have a strong rebound is because of the uncertainty still ahead of us." Brazil's economy declined for more than two years, reaching a contraction of nearly 10 percent, which Fraga called a "depression,"



Fraga // File Photo: World Economic Forum.

and many Brazilian entrepreneurs with excess capacity are waiting to invest in more production, he said. They are waiting to see whether the government will increase taxes, reduce subsidies or cut spending, and what the next president's effect will be on Brazil's economy, he said. The ongoing corruption probe at state-run oil company Petrobras is also impeding growth, Fraga added. "What we are seeing is this amazing display of completely widespread corruption, and this is poisonous," he said. "At the moment there is no visibility, there is a massive lack of trust in politics, on politicians." He added that the new revelations as to who is implicated in the scandal could set the stage for populist leaders to emerge who might undermine the government's attempts to balance the budget, which he said would be "more painful than adjusting."

FEATURED Q&A / Continued from page 3

to improve the country's economic performance. But while most budget areas will be affected, the cuts to the science budget are particularly dramatic. Starting in the 1990s, Brazil steadily increased support for education, research, and international cooperation on science, with federal entities, as well as state agencies, such as the São Paulo Research Foundation (FAPESP), gaining global recognition for cutting-edge work in fields as diverse as biomedical research, climate change and astronomy. However, funding for scientific activities has been declining since the economic downturn in 2013, and in 2017 it will reach its lowest level in more than a decade. At the same time, the recent merger of the Ministry of Science, Technology and Innovations with the Ministry of Communications has reduced the influence of the science agencies within the political process. An immediate effect of the cuts will be that research projects are placed on hold, grants for science education are suspended and programs that foster international exchanges are downsized. Depending on how the limited funds for science are allocated, Brazil could face a 'brain drain,' as young scientists gravitate to countries where support for scientific research is greater. With OECD data showing that national investments in science promote productivity and competitiveness, Brazilian officials may need to rethink the cuts to the science budget if they want to support economic growth."

A **Isabella Alcañiz, assistant professor in the Department of Government and Politics at the University of Maryland:** "The draconian cuts to the federal science budget planned by the Temer administration place Brazil last for R&D spending among the BRICS countries. Soon after he became president in 2016, Temer signaled disinvestment in the sector when he merged the Ministry of Science, Technology, and Innovation with the Ministry of Communications. Leading scientists are expressing alarm that this budget will threaten the viability of scientific

research in Brazil. In protest, São Paulo and Rio de Janeiro on Saturday held 'Marches for Science,' like the ones that occurred in cities around the world. The consequences of such disinvestment are many and dire. Technological innovation in key economic sectors, such as agriculture, medicine and energy will

“ Without renewed investment by the state, the future of Brazilian science looks grim.”

— Isabella Alcañiz

likely stagnate. Brazil could see significant 'brain drain,' with top scientists choosing to work abroad. It is not clear how the country's large national laboratories, which already struggle under tight budgets, will operate after a 44 percent budget cut. Any public health crisis, like the one triggered by the Zika virus-induced microcephaly epidemic, will be particularly devastating without minimally funded state experts. Cooperation agreements from economically advanced countries—which typically include vital technology transfers—might be revised, as Brazilian partners may be unable to keep up with their commitments. However, like any expert bureaucrat from the developing world, Brazilian state scientists are well-versed in surviving under shrinking budgets and have a history of cooperating with impoverished colleagues from neighboring countries (notably, in nuclear energy, science, and technology, as well as in environmental protection). In all likelihood, Brazilian scientists will find ways to engage in low-cost technical cooperation with foreign peers. Nevertheless, without renewed investment by the state, the future of Brazilian science looks grim."

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

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

 THE DIALOGUE

Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
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

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 fretrial@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.