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## FEATURED Q&A

# Has the Case Against Lula Ended His Political Career?



Former Brazilian President Luiz Inácio Lula da Silva last week lost his appeal on corruption charges, complicating his effort to return to the country's presidency. // File Photo: Lula Institute.

**Q Former Brazilian President Luiz Inácio Lula da Silva on Jan. 24 lost an appeal when a three-judge panel unanimously upheld a corruption conviction against him and lengthened his original prison sentence from nine-and-a half to 12 years. Lula, who denies wrongdoing, has been the frontrunner ahead of the country's October presidential election, and while he can continue appeals, his most recent setback severely complicates his ability to run. Is Lula's political career over? Is Lula the Workers' Party's only hope of winning the presidency this year, or should the party designate another candidate? How do the latest developments change the dynamics of Brazil's presidential race, and who benefits the most from the rulings against Lula? How much are the judicial decisions in the Lula case being driven by politics rather than strict interpretation of the law?**

**A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue:** "Lula's political future has been left hanging by few threads after the unanimous affirmation last week of his criminal conviction. The final word on the conviction, and its associated penalties, will almost surely come from Brazil's Supreme Court (STF), which unlike the lower courts, can be expected, fortunately, to take account of the broader political consequences of Lula's conviction and his prospective disqualification from the October presidential election. The STF has little choice under the circumstances—and it is the right course as well. Brazil today is plagued by a deep and prolonged crisis of governance. Public trust in Brazil's democratic institutions and national leadership remains at its lowest point

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## TODAY'S NEWS

### ECONOMIC

## Mexico Secures \$93 Billion in Oil Investment During Auction

Royal Dutch Shell won nine of the 19 Gulf of Mexico oil blocks that were awarded during the auction. The auction was seen as the most important since Mexico opened its energy sector to foreign firms.

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### BUSINESS

## Scotiabank Buying Citi's Consumer, SME Operations in Colombia

The move is part of Scotiabank's efforts to expand its operations in Latin America.

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### POLITICAL

## Tillerson to Begin Trip to Latin America

U.S. Secretary of State Rex Tillerson heads today to Mexico to begin a nearly week-long trip that will also take him to Argentina, Peru and Colombia before he makes a final stop in Jamaica.

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Tillerson // File Photo: U.S. State Department.

## POLITICAL NEWS

## Tillerson to Begin Six-Day Trip Through Latin America

U.S. Secretary of State Rex Tillerson is scheduled today to start a six-day trip through Latin America, where he is planning to seek support for pushing democratic reforms in Venezuela, the Voice of America reported. The trip will take Tillerson to Mexico, Argentina, Peru and Colombia before he makes a final

**Tillerson is planning to seek support for pushing for democratic reforms in Venezuela.**

stop in Jamaica on Feb. 7. The United States is planning to use "all its political, diplomatic and economic tools to address the situation in Venezuela," a senior State Department official said earlier this week about the trip. The objective of the Trump administration "is to help the Venezuelan people to deal with this economic crisis, but also to restore the democratic order so that they can be in charge of their future again," the official added. Last month, the U.S. Treasury added four current or former senior officials of the Venezuelan military to its list of sanctioned individuals, accusing them of corruption and human rights abuses that have contributed to dire shortages of basic goods, including food and medicine in the Andean nation. The European Union has also slapped sanctions on Venezuela, and Organization of American States Secretary General Luis Almagro has urged democratic reforms in the South American country. In January, Venezuelan President Nicolás Maduro announced that he would seek a second six-year term this year and that the next presidential election would occur before the end of April. Before heading today to Mexico, Tillerson is scheduled to deliv-

er a speech at the University of Texas at Austin about the Trump administration's Latin America priorities. In Mexico, Tillerson is to meet with President Enrique Peña Nieto and other top officials. The relationship between the United States and Mexico has become more tense amid vows by U.S. President Donald Trump to clamp down on illegal immigration and also to build a multi-billion wall along the countries' shared border, which he has repeatedly said he will force Mexico to fund. "What has been a good relationship between the two countries right now is fragile and delicate," Francisco Gil Vargas, a professor of international relations at the College of Mexico, told The Washington Post. "On the government level, they have avoided a crisis. On the citizen level, there is a lot of anger." The United States, Mexico and Canada this week completed a sixth round of talks on renegotiating the North American Free Trade Agreement.

## ECONOMIC NEWS

## Mexico Secures \$93 Bn in Investment in Oil Auction

Mexico secured \$93 billion in investment during Wednesday's oil auction, 1.5 times the total amount from the nine previous tenders since the government opened up its oil sector to outside investment in 2013, the Financial Times reported. Royal Dutch Shell won nine of the 19 oil and gas blocks in the Gulf of Mexico that were awarded during the auction, Reuters reported. The auction's success was a big win for President Enrique Peña Nieto, justifying his decision to enact the energy reform in 2013 with the goal of attracting foreign investment to the country's oil and gas sector. The auction came amid a three-year high in oil prices, but at a four-decade low in oil production at state oil company Pemex, the Financial Times reported. Shell and other oil majors made bets on the country's oil sector, despite fears that Peña Nieto may be succeeded by a leftist leader in July's presidential election, who may

## NEWS BRIEFS

## Lula Still Leads Polls Despite Losing Appeal on Corruption Conviction

Former Brazilian President Luiz Inácio Lula da Silva continues to be the frontrunner of the Oct. 7 presidential election, despite his recent loss on appealing his corruption conviction, according to a poll published Wednesday by Datafolha, the Associated Press reported. The poll indicated that if the election were to take place now, Lula would win between 34 and 37 percent of the votes in the first round, leading Jair Bolsonaro, who would garner 16-18 percent. The poll also indicated Lula would win the second round if no single candidate won the majority in the first round. The poll had a two percentage point margin of error.

## Samsung Pay Gets Bank Support to Allow Launch

Samsung has announced that its mobile payment platform, Samsung Pay, has received the support of several banks operating in Mexico, allowing it to launch in the country, Mobile ID World reported Tuesday. The platform now has the support of banks including Banorte, Citibanamex and HSBC, as well as American Express, Visa and Mastercard.

## Scotiabank to Buy Citi's Consumer, SME Operations in Colombia

Bank of Nova Scotia has reached an agreement with Citibank to purchase its consumer and small and medium enterprise operations in Colombia in an effort to expand its operations in Latin America, The Canadian Press reported today. Scotiabank did not disclose the details of the deal, but said the transaction was not financially material. Citi's operations in Colombia include 47 branches and 424 ATMs, and the addition of Citi's local credit card division will add 500,000 new customers to the operations of Scotiabank's subsidiary, Banco Colpatria.

revise some of the terms of the energy reform. However, analysts agree that it would be nearly impossible to completely roll back the energy reform, and the new government could not make any retroactive changes to previously agreed-upon contracts. Following Wednesday's tender, more than 60 companies are now working on developing Mexico's oil and gas sector. "This is a vote of confidence in Mexico," said Aldo Flores, the hydrocarbons undersecretary.

## BUSINESS NEWS

# Mexico Unit Helps Drive Profits of Spain's BBVA

Multinational Spanish banking group Banco Bilbao Vizcaya Argentaria, or BBVA, reported a 20 percent increase in its underlying profits last year, boosted especially by its performance in Mexico, the Financial Times reported today. The strong performance in Mexico mirrors BBVA rival Santander's report this week of a similarly strong performance in Latin America. BBVA said its Mexico results were ahead of analysts' expectations, with net profits up 6 percent in the fourth quarter and up 13 percent over the full year to \$2.7 billion. Performance in its European markets remained sluggish, and a low interest rate environment led net profits at BBVA's Spanish unit to increase by only 5.5 percent over the past year, with operating income down 1.3 percent. Overall in the fourth quarter, BBVA reported a 90 percent decrease in net profit to \$87 million. The fall was due in large part to a one-off charge of \$1.4 billion, because of the decline of the stock price of Spanish telecommunications group Telefónica, in which BBVA owns a 6 percent share. Net profit for the year, excluding the Telefónica charge, was \$5.7 billion, up 19.7 percent year-over-year. For the full year, revenues increased by 2.5 percent to a record \$31.5 billion, Reuters reported. BBVA Executive Chairman Francisco González said in a written statement that performance this year would be even better, thanks to the bank's digital transformation efforts.

## FEATURED Q&A / Continued from page 1

since civilian rule was restored in 1985. Brazil's regional and international standing has also fallen sharply. That was underscored by U.S. Secretary of State Rex Tillerson when he left Brazil off his upcoming itinerary in Latin America, which includes every other major country in the region. Keeping Lula from competing for the presidency, while most of Brazil's top political leaders (including President Temer) and presidential contenders are also targets of corruption probes, will be viewed by many Brazilians as unjust and discriminatory, and could well add to the alienation of much of the nation's population and further polarize its politics. Some prominent opponents of Lula have argued that, in this period of political turmoil, it would be a mistake to deny voters the right to choose their leadership, and that allowing Lula to run could help restore public confidence in democracy and government. Although Lula's popularity, once the highest of any Brazilian leader ever, has flagged in recent years, he remains the frontrunner in the presidential race by a wide margin. He would not, by any means, be a sure winner, however. The second round of the election, with only two candidates competing, will determine whether Lula can still command an electoral majority. Whether Lula is in the race or out, the election results still defy prediction—and may not do much to resolve Brazil's governance problems."

**A** **Joel Korn, president of WKI Brasil and senior international partner at UPITE Consulting Services:** "When it comes to politics, one can never rule out any potential scenario, even though its probability of occurrence may look very slim. Despite the mounting evidence of Lula's involvement in corruption, his future career as a politician may not be fully dismissed, even though last week's defeat, by unanimous decision, represents a severe setback for his aspirations in the upcoming presidential election. His party will likely nominate another candidate

for president, to leverage on what remains of Lula's popularity, and especially to strengthen the Workers' Party's representation in Congress and state legislative assemblies. Lula's case has been driven by strict inter-

“Despite the mounting evidence of Lula's involvement in corruption, his future career as a politician may not be fully dismissed...”

— Joel Korn

pretation of the facts, in compliance with the law. Evidently, given his popularity and the fact that he is a former president, it has been virtually impossible to dissociate the political implications from the court decisions. The outlook for the presidential race is wide open, and the campaign process is permeated by a severe credibility crisis concerning traditional politicians. Although some of the announced candidates may benefit from Lula's likely ineligibility and the weakening of the Workers' Party, none of them have yet caught voters' attention as a clear option for taking over the country's helm. So far, the most evident candidates are the obvious names who have some recall from previous elections, such as the governor of São Paulo, Geraldo Alckmin, and former Environment Minister Marina Silva. One should not rule out, however, candidates with populist and nationalistic appeal, such as Jair Bolsonaro, whose compelling messages are oriented toward capturing the sentiment of total repulsion with the current political establishment. The presidential succession is quite fluid at the moment, and there is still a possibility that new candidates may emerge by the April registration deadline, with stronger chances of attracting the voters' enthusiasm."

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**A** Gilberto M. A. Rodrigues, professor of international relations at the Federal University of ABC in Brazil and a member of the *Coordinadora Regional de Investigaciones Economicas y Sociales* in Buenos Aires:

“The federal court decision to uphold Lula’s conviction has been viewed with much suspicion from many different actors in the political and legal scene in Brazil. Lula was convicted without any evidence of a crime. Moreover, there is a clear prejudgment among those judges and their clerks against Lula and the Workers’ Party. Other politicians and parties that have been investigated under concrete evidence—including President Temer and some of his close ministers—are free from any serious investigations and charges and are still in power. Why? Because there is a huge political persecution of Lula through the Lava Jato judicial structure. But Lula, like a phoenix, is not only surviving this judicial turmoil, but his capacity to gain support is incomparable. Lula’s political career is far from being over, under any circumstance: both as a candidate or in supporting another candidate. In the first case, his possibility of winning the presidency this

year is real and is perceived as a big threat by conservative groups—from politics, the private sector and the media. But even some right-wing politicians and journalists are de-

“The federal court decision to uphold Lula’s conviction has been viewed with much suspicion...”

— Gilberto M. A. Rodrigues

nouncing the real threat that Lula’s decision means for the rule of law and democracy in Brazil. What is at stake is not only the right of a political leader to be candidate, with a real chance of winning the presidency, but also the rights of any citizen who can be convicted without evidence, a serious offense to the due process of law.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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**Erik Brand**  
Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**  
Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Nicole Wasson**  
Reporter, Assistant Editor  
[nwasson@thedialogue.org](mailto:nwasson@thedialogue.org)



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## Economic Development in the Caribbean

An Inter-American Dialogue Discussion with Joyce Wong & Sebastian Acevedo, Int’l Monetary Fund  
Daniel P. Erikson, Blue Star Strategies

View a webcast of the Jan. 30 discussion.

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