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FEATURED Q&A

How Will the Latest Developments Alter the Race in Brazil?



In several days of major developments in Brazil's presidential race, far-right candidate Jair Bolsonaro (pictured) was seriously wounded in a knife attack, and former President Luiz Inácio Lula da Silva was banned from the contest and withdrew. // Photo: @FlavioBolsonaro.

Q Following a decision from Brazil's electoral court barring him from the presidential race, jailed former President Luiz Inácio Lula da Silva on Tuesday dropped out of the race and endorsed former São Paulo Mayor Fernando Haddad as the candidate of the leftist Workers' Party. Haddad, as well as Geraldo Alckmin of the right-of-center PSDB, are both accused of campaign funding violations, allegations that both candidates deny. Also this month, right-wing presidential front-runner Jair Bolsonaro was seriously injured in a knife attack during a campaign event. How will the attack against Bolsonaro change the race? How do the legal developments affect the presidential race? Will Lula's support transfer to Haddad? What factors between now and election day will decide the election?

A Jana Nelson, former Brazil desk officer at the U.S. Department of State: "Brazil is entering a new phase in the presidential campaign, marked by corruption accusations and violence. The 13 presidential candidates are now final, no more last-minute bench substitutions. The latest polls take into account Jair Bolsonaro's stabbing and, surprisingly, show that Brazilians have less sympathy for the victim than one would have expected. The four candidates behind the front-runner are tied, and the race now, as it has been from the start, is for second place. The question all non-Bolsonaro voters are asking themselves is: who will galvanize most votes to beat him in the second round? Neither Alckmin nor Haddad's corruption accusations seem to be a factor in a country where almost all politicians are under investigation. Although it is still a tad too early to tell by how much, it

Continued on page 3

TODAY'S NEWS

ECONOMIC

China to Provide Venezuela With \$5 Bn Credit Line

Venezuela's finance minister made the announcement as President Nicolás Maduro began a trip to Beijing.

Page 2

BUSINESS

Brazilian Prosecutors Seek Talks With BRF

Brazilian prosecutors are asking the meat processor, which allegedly cheated on food safety tests, to cooperate in exchange for more lenient penalties.

Page 3

POLITICAL

Guatemalan Gov't Deploys Special Forces at Protest

Guatemalan President Jimmy Morales' government deployed members of the Kaibil special forces military unit to block protesters from marching to the country's Congress. The move was Morales' latest use of military force since he refused to renew the mandate of the U.N. anti-corruption commission in the country.

Page 2



Morales // File Photo: Guatemalan Government.

POLITICAL NEWS

Guatemalan Gov't Deploys Special Forces at Protest

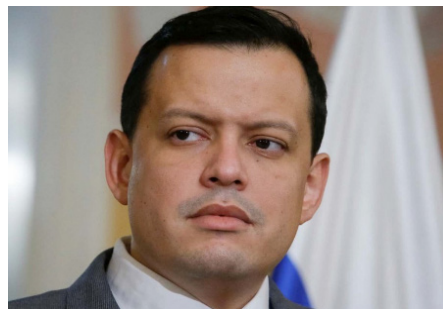
Guatemalan President Jimmy Morales' government on Wednesday deployed members of the Kaibil special forces military unit to prevent protesters from disrupting a session of the country's Congress, Guatemalan daily *El Periódico* reported. Protests have erupted in recent days in the Central American country after Morales late last month declined to renew the mandate of the United Nations International Commission Against Impunity in Guatemala, or CICIG, and barred its head, Iván Velásquez, from returning to Guatemala after a trip to the United States. The panel has been investigating Morales and brought down his predecessor, Otto Pérez Molina. The Kaibil special forces were created in the 1970s to fight leftist guerrillas during Guatemala's civil war and were known for brutality and involvement in a massacre during the conflict, Reuters reported. Members of the unit were deployed, along with more than 2,000 police officers, to prevent a large march of protesters from getting close to Congress. A day earlier, protesters also demonstrated in Guatemala City, shouting at legislators in opposition to a bill that they say weakens the country's institutions. Some officials and opposition lawmakers blasted the government's use of the special forces unit at the protest. "I decline to participate in the solemn session in parliament, because I cannot take part in an event with the unnecessary and intimidating presence of the army toward a population that has the legitimate right to protest," Jordán Rodas, Guatemala's human rights ombudsman, said in a tweet. Some opposition lawmakers said the use of the Kaibil special forces was disproportionate for a peaceful demonstration. The two pieces of legislation that drew protesters to Congress have backing from supporters of Morales. One would make it harder for investigators to strip politicians of their immunity from prosecution. The other would allow nearly 80 legislators who have

defected from the opposition to become members of Morales' party. The deployment of the special forces was Morales' latest display of military force. When he announced his decision not to renew CICIG's mandate, which expires in a year, he stood alongside several rows of soldiers. Also, military vehicles that had been donated by the United States were seen parked outside CICIG's offices.

ECONOMIC NEWS

China to Provide \$5 Billion Loan to Venezuela

Venezuelan Finance Minister Simón Zepa on Thursday said China has agreed to finance a \$5 billion credit line for the South American country, Bloomberg News reported. The announcement came as Maduro is traveling to Beijing. "I am going with great expectations and we will see each other again in a few days with big



Zepa // File Photo: Venezuelan Government.

achievements," Maduro said Wednesday as he began his trip, without providing further details, Reuters reported. Zepa, who is currently in Beijing, told Bloomberg News the country would pay back China's \$5 billion loan with either cash or oil, adding that the countries are expected to sign a strategic alliance on gold mining. Venezuela is nearing total economic collapse with a hyperinflation crisis that is set to reach one million percent by the end of the year, according to the International Monetary Fund. "Recently, the Venezuelan president has actively pushed forward economic reforms, and there has been a positive reaction from

NEWS BRIEFS

Colombia's ELN Releases Six Hostages

Colombia's ELN rebel group released six hostages on Wednesday, the International Committee of the Red Cross said in a posting on Twitter. The move came as President Iván Duque has considered resuming peace talks with the guerrillas. Duque has said the ELN must free all 19 hostages it is believed to be holding and end criminal activity before negotiations can restart. The ELN released three other hostages earlier this month.

Brazil's Bolsonaro Undergoes Emergency Surgery Following Attack

Brazilian presidential candidate and front-runner Jair Bolsonaro had emergency surgery late Wednesday night to repair damage in his intestinal walls after he was attacked with a knife during a campaign rally last week, Reuters reported. The surgery was successful. Bolsonaro, who leads the polls ahead of the Oct. 7 election, nearly died from the stabbing, according to his doctors. He will reportedly need additional surgery in the coming days.

Google Investing \$140 Million to Expand Chile Data Center

Google is planning to invest \$140 million in order to expand its data center in Chile, *El Dínamo* reported. The data center, located in Quilicura, near Santiago, has been in operation since 2015. Google officials said the investment will triple the size of the data center to 27.7 acres, Reuters reported. The project is also expected to create more than 1,000 new jobs for its construction, as well as 120 new permanent jobs. Chilean President Sebastián Piñera on Wednesday hailed the investment, saying it shows that the country is enthusiastically participating in "the fourth industrial revolution."

society," Geng Shuang, the Chinese foreign ministry's spokesman, told reporters on Thursday. China has been Venezuela's main financial backer over the past decade, with more than \$50 billion in loans in exchange for oil. In July, Venezuela's finance ministry said the Chinese Development Bank would supply \$250 million to bolster the country's oil production, Reuters reported. [Editor's note: See [Q&A](#) on Venezuela's economy in the Aug. 2 issue of the Advisor.]

BUSINESS NEWS

Brazilian Prosecutors Seek Leniency Talks With BRF

Brazilian prosecutors investigating meat processor BRF and laboratories owned by Mérieux NutriSciences Brasil that allegedly cheated on food safety tests are asking the companies to collaborate in exchange for more lenient penalties, according to federal prosecutor Lyana Helena Joppert Kalluf, Reuters reported Wednesday. Kalluf said prosecutors would ask the companies for a complete restructuring as part of a leniency deal. Police raids of three Mérieux laboratories used by BRF showed data "systematically" indicated false positives for the salmonella pathogen, according to court documents obtained by the wire service. Experts from Brazil's ministry of agriculture have called the high levels of false positives "unacceptable," the document said. France's Institut Mérieux, which controls the laboratories in Brazil, in an email to Reuters said its "internal tracking system" showed "no evidence to support claims of a high rate of false positives in salmonella tests." Mérieux had previously said there was no evidence of wrongdoing by the laboratories. Earlier this year, a U.S. shareholder sued BRF for concealing its involvement in the food safety probe, prompting the arrest of former chief executive officer, Pedro Faria, who was released days later, Folha de S.Paulo reported in March. BRF told Reuters it could not comment on any potential leniency talks.

FEATURED Q&A / Continued from page 1

seems that Lula's popularity has transferred a bit to Haddad—his replacement on the ballot—and to *Ciro Gomes*, another leftist candidate. More importantly perhaps, the undecided and protest voters are starting to migrate to a defined candidate. The last two polls, *Datafolha* and *Ibope*, have shown markedly different results for the second round, meaning they are still not reliable enough. Haddad fares worst in the polls against *Bolsonaro*, and it is not unfathomable that center-right voters, who would normally never vote for *Bolsonaro*, would prefer him over another PT government. *Alckmin*, *Marina* and *Ciro* are all flawed candidates, each in their own way, leaving Brazilians to play *eeny, meeny, miny, moe* on the ballot on Oct. 7."

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "Next month's presidential election is Brazil's most bewildering since democratic rule was restored in 1985. What we know is that *Lula*, who has headed every poll this year, will not be on the ballot. The front-runner is right-wing extremist *Jair Bolsonaro*, recently hospitalized with life-threatening wounds from a knife attack. Though polling at around 24 percent—double his nearest rival—*Bolsonaro* will not win the presidency in the first round of voting, but will surely have a place in the runoff election. What we don't know is whether the attack will give *Bolsonaro* a significant electoral boost, either from the sympathy and unexpected publicity it has generated for him, or from generalized anger at Brazil's escalating violence. Still, his sky-high disapproval ratings suggest he will not command a large sympathy vote—and the added publicity may be irrelevant in the runoff phase, where he trails likely opponents. Also unknown is whether *Lula* can transfer his popularity to his stand-in, *Fernando Haddad*. The evidence is mixed, but legal prohibitions on *Lula*'s campaigning will surely limit his electoral influence. Other

potential competitors, former *Ceará* Governor *Ciro Gomes* or *Marina Silva*, a former minister and presidential candidate, are campaigning with weak political bases, high negatives among voters and limited access to strictly regulated television time. Among the candidates realistically contending for the second round, *Geraldo Alckmin* has the weakest poll numbers, but it is early to count him out. He has a strong political base and the lion's share of available television time, and he may yet win over *São Paulo* voters who elected him governor by a landslide four years ago. Polls indicate *Bolsonaro* is likely to lose the runoff election to almost any of the candidates who can make it that far. But it would be a mistake to underestimate his appeal in today's Brazil."

A Monica de Bolle, director of Latin American studies and emerging markets specialization at Johns Hopkins University and senior fellow at the Peterson Institute: "The recent knife attack against *Jair Bolsonaro* is likely to boost his visibility as the press focuses intensely on his recovery. According to Brazilian electoral laws, which allot time for mandatory TV campaigns, *Bolsonaro* had only a few seconds on air, which many believed could potentially have been his undoing—he is the front-runner in the polls under scenarios that discard former President *Lula*'s bid. With the violent incident last week, this has now changed dramatically as *Bolsonaro* is getting ample TV coverage. Campaign funding charges brought against *Fernando Haddad* and *Geraldo Alckmin* are likely to do some damage to their bids. *Alckmin* appears to have reached a limit of 8 percent of voter intentions, according to the latest polls, while *Haddad* faces the challenge of securing the *Lula* vote while being a relatively unknown figure nationally—he also stands at 8 percent in the polls. Although *Haddad* has better chances to rise in the polls than *Alckmin* over the next few weeks, the recent charges may limit vote

Continued on page 4

FEATURED Q&A / Continued from page 3

transferability. Meanwhile, center-left candidate **Ciro Gomes**, who is positioning himself as the anti-Bolsonaro and faces no legal issues, appears to be gaining traction. While the outcome of the first round is still difficult to predict, it is likely that Bolsonaro will have enough votes to make it to the runoff. The key factor to watch is the race between **Haddad** and **Gomes**, especially since the latter has greater name recognition and an all-important foothold in Brazil's northeast."

A **Erich Decat, political analyst at XP Investimentos:** "The Brazilian election is completely undefined. Historically, most Brazilian voters start to pay more attention just 15 days before election day. According to the last XP poll, the percentage of blank/null votes, considering the margin of error, equals the share of votes for front-runner **Jair Bolsonaro**. The candidate who matches his or her economic policies to voters' lives in the last days before the election might reach the second round. In general, voters support candidates who offer them ways to improve their lives. The economy is still a key point and can even be used to overcome some extremist ideas that are not related to voters' welfare. To some extent, electoral TV programs will be strategic and can have a huge influence on the result—they are still the main source of influence on the Brazilian electorate. The PT's strategy to stick with **Lula** until the very end has kept the former president's image alive in voters' minds. In this context, in case of a PT defeat, the setback can also be considered **Lula's** debacle. Is the attack against **Bolsonaro** enough to make him president? No. But, in tactical terms, it might give him significant relief when he needs it most. **Bolsonaro** was facing his worst moment: without a competitive campaign, he lost firepower and started to play defense. The other candidates were starting to use their powerful platforms to water down the front-runner, and it was starting to bear fruit: **Bolsonaro's** rejection

rates were clearly on the rise, and he was starting to virtually lose to all the other candidates in a runoff scenario. Now, inevitably, the political attacks will have to be suspended to respect the difficult time that the candidate is facing and to avoid backfire from public opinion. Having the opportunity for repositioning in the middle of a political campaign is a powerful card. All eyes are on how **Bolsonaro** will use this upper hand."

A **Mauricio Santoro, head of the department of international relations at the State University of Rio de Janeiro:** "**Jair Bolsonaro** is leading in the latest polls with 24 percent, and four candidates are technically tied in second place (**Ciro Gomes**, **Fernando Haddad**, **Geraldo Alckmin** and **Marina Silva**) with 9-13 percent of support. The Brazilian political system is in tatters, with all major parties tarnished by corruption scandals. **Bolsonaro** consolidated himself as the voice for angry voters, with an anti-establishment rhetoric that will lead him to the second round. He will probably face a left-wing rival in the second round—**Ciro** and **Haddad** are the top contenders for **Lula's** social and economic legacy, with a political discourse critical of the austerity policies of recent years. **Marina** represents a more centrist approach, and **Alckmin** is a conservative option, weakened by **Bolsonaro's** rise. They are having a difficult time in a campaign that is more and more polarized in a right-left framework. **Bolsonaro** has the biggest rejection rate of all candidates at 43 percent. Many voters are appalled by his radical remarks. Whoever reaches the second round with him has good chances of winning. The hardest fight of the coming weeks will be among the leftist candidates—**Ciro**, **Haddad** and perhaps **Marina**—for that spot."

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