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FEATURED Q&A

How Will Bolsonaro Change Brazil's Foreign Policy?



Soon after being elected Brazil's president, Jair Bolsonaro made international headlines for considering moving the country's embassy in Israel to Jerusalem and threatening to cut diplomatic ties with Cuba. // File Photo: Brazilian Government.

Q Brazilian President-elect Jair Bolsonaro received a call from U.S. President Donald Trump last month, the same day he was elected. In the call, Trump and Bolsonaro agreed to "work closely together on trade, military and everything else," Trump said on Twitter. Meanwhile, Taiwan's government congratulated Bolsonaro in a statement from the foreign ministry that mentioned Bolsonaro's unusual trip to the island as a candidate earlier this year. Will Bolsonaro and Trump have a good relationship and bring closer ties between the two countries? Are big changes in store for Brazil-China relations? What can be expected of the incoming president's foreign policy toward other countries of the Americas?

A Rubens Barbosa, former ambassador of Brazil to the United States: "The United States will be among the top priorities for the new Bolsonaro government after it takes over on Jan. 1. The United States is Brazil's second-largest trading partner and its largest investor. Both countries have a diversified and relevant agenda. On Brazil's side, the Bolsonaro government will expect support for its request to join the OECD. It is also seeking the conclusion of the technological strategic agreement that would allow the commercial use of the Alcântara Launch Center for U.S. companies, as well as the elimination of restrictions on steel and aluminum exports. There are important areas of cooperation to be further developed, such as defense, space, innovation and civil aviation. China is Brazil's largest trading partner and also an important investor in infrastructure. I don't think big changes will

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TODAY'S NEWS

POLITICAL

Fighting Displaces 850 in Eastern Colombia: Official

Some 850 people, including hundreds of children, have been displaced because of fighting between armed groups in Norte de Santander department, according to a local mayor.

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BUSINESS

Petrobras Reports Sharp Rise in Profit for Q3

The Brazilian state oil company said the rising price of oil boosted its profit in the July-to-September period. The company reported \$1.8 billion in net income for the quarter.

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ECONOMIC

European Union Extends Sanctions Against Venezuela

The European Union extended its sanctions against the government of Venezuelan President Nicolás Maduro until November of next year, saying the government has violated human rights and undermined democracy.

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Maduro // File Photo: Venezuelan Government.

ECONOMIC NEWS

European Union Extends Sanctions Against Venezuela

The European Union on Tuesday extended its sanctions against the administration of Venezuelan President Nicolás Maduro until November 2019, citing human rights violations and the undermining of democracy and rule of law, Reuters reported. The sanctions include an arms embargo, as well as a travel ban and an asset freeze on 18 Venezuelans associated with Maduro's government. Officials in Brussels told reporters last month that the bloc does not have plans to impose any new sanctions against Venezuela for the time being. Spanish Foreign Minister Josep Borrell has been advocating a policy shift away from hardline sanctions, moving instead toward international cooperation to address the ongoing humanitarian crisis in Venezuela, where more than two million people have fled severe shortages of food and medicine, as well as unemployment and hyperinflation, *El País* reported. Countries receiving the migrants, particularly Colombia and Brazil, have struggled to process and accommodate the influx, and worries over the spread of communicable diseases has sparked

a public backlash in local communities, raising concerns over abuse and xenophobia. The European Union's move comes less than a week after the United States introduced new sanctions targeting Venezuela's gold sector. A presidential election last May gave Maduro a second term in office, but the ballot was widely dismissed at home and abroad as being rigged.

POLITICAL NEWS

Fighting Leaves 850 Displaced in Eastern Colombia: Official

Clashes between the National Liberation Army, or ELN, rebel group and a crime gang in eastern Colombia have left 850 people, including about 400 children, displaced, a local official told local Caracol radio on Tuesday. "People left Friday, fleeing from recent combat between the two groups. They didn't find any other way to save their lives except coming to the municipal capital," said Milcíades Pinzón, the mayor of the municipality of Hacarí in Norte de Santander department, Reuters reported. The ELN and the Los Pelusos gang have been fighting for control of the area since March, but the clashes have intensified over the past week, said

NEWS BRIEFS

Incoming Mexican Interior Minister Eyes Looser Marijuana Laws

Mexico's next interior minister plans to create a medical marijuana industry and allow recreational use of the drug, Reuters reported Tuesday. Olga Sánchez, who now serves as a senator, told Reuters that new legislation would be presented this week in Congress. The measure would permit companies to grow and commercialize marijuana, a sharp departure from current law of prohibition. Individuals would also be allowed to cultivate plants for private use.

Standard Bank Urges Brazilian Companies to Consider Africa

South Africa's Standard Bank Group is encouraging Brazilian companies to explore opportunities in Africa, Reuters reported Tuesday. The bank, which counts miner Vale and state oil company Petrobras as clients, sees opportunities for other Brazilian firms on the continent, particularly in two LNG projects in Mozambique. The pitch follows news last week that a consortium led by United Kingdom-based Vitol had agreed to spend \$1.4 billion to buy Petrobras' assets in Nigeria. Petrobras has been trying to divest assets abroad to instead focus on domestic production.

Cox Energy to Invest \$1.5 Billion in Mexico Over Five Years

Cox Energy plans to invest \$1.5 billion in Mexico over the next four years, *El Financiero* reported Tuesday. The Spain-based company said it will construct seven solar parks located in Campeche, Sonora, the State of Mexico, Veracruz and Zacatecas. The company has partnerships in Mexico with X-Elio and Naturgy (formerly Fenosa) to build and operate some of the facilities.

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take place in the bilateral relations leading to a reduction of China's participation in the Brazilian market. Perhaps some adjustments will be introduced in the legislation in relation to foreign investments in land and energy. As far as the region is concerned, Brazil will adopt a more active role in bilateral relations with conservative governments and will have Venezuela and border protection (arms and drug smuggling) as its main concern. Brazil probably will propose an evaluation of Mercosur's operation to make the trade group less restrictive and more open to negotiations with developed countries. Statements on different aspects

of foreign policy made during the election campaign and more recently will be adjusted after the foreign minister is appointed."



Britta Crandall, visiting assistant professor of Latin American studies at Davidson College:

"More than 80 million Brazilians voted Jair Bolsonaro into office last month for his stance on domestic concerns, namely corruption and crime. Similar to Dilma Rousseff, then, foreign policy will not be a priority for the incoming administration. Generally speaking, we can also expect a shift away from the more ideologically based foreign

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Pinzón. The area lies along the Venezuelan border and is a drug-smuggling corridor. Coca, the base ingredient for production of cocaine, is grown in the area. After the Revolutionary Armed Forces of Colombia, or FARC, rebels signed a peace agreement with Colombia's government in 2016, groups including the ELN, gangs and FARC dissidents who refused to demobilize have battled for control of drug trafficking and illegal mining. President Iván Duque has vowed to crack down on rebels and drug trafficking groups. [Editor's note: See related [Q&A](#) in the Sept. 24 issue of the Advisor.]

BUSINESS NEWS

Petrobras Reports Sharp Rise in Profit for Third Quarter

Brazilian state oil company Petrobras on Tuesday said its profit rose sharply in the third quarter from the same period a year earlier, due largely to the rise in the international price of oil, *The Wall Street Journal* reported. Net income attributable to Petrobras shareholders reached 6.6 billion reais (\$1.8 billion), a large increase from 266 million reais in the third quarter of 2017. Sales revenue rose to 98.3 billion reais from 71.8 billion reais, the company said. However, the company's costs came in higher last quarter, pushing down net income and adjusted earnings before interest, taxes, depreciation and amortization, or Ebitda, to levels lower than market analyst expected, Gabriel Francisco, an analyst at XP Investimentos in São Paulo, told the newspaper. Meanwhile, financial analysts also have been asking if Ivan Monteiro, who became CEO of Petrobras when Pedro Parente resigned after a nationwide truckers' strike this year, will remain in the position under the presidency of Jair Bolsonaro in 2019, *Bloomberg News* reported. "The next government will have all the freedom to make any changes it deems necessary," Monteiro told reporters Tuesday when asked about possible shifts in Petrobras' management. Monteiro declined to say whether he would like to keep the job, according to the report.

IN PROFILE

Sérgio Moro, Brazil's incoming justice minister

Name:

Sérgio Fernando Moro

In the News:

Federal judge Sérgio Moro on Nov. 1 accepted Brazilian President-elect Jair Bolsonaro's offer to become the next government's minister of justice. The appointment has caused controversy since Moro was in charge of the investigation into the massive "Lava Jato," or Car Wash, corruption scandal that resulted in the imprisonment of former President Luiz Inácio Lula da Silva in April. The decision ultimately barred Lula, who led in the polls, from running for president against Bolsonaro in the October election. The incoming administration takes office Jan. 1.



Moro // File Photo: Brazilian Government.

Background:

Moro, 46, is a Brazilian federal judge. He has gained notoriety since 2014 as the head of the task force in charge of the Car Wash graft probe that has implicated government officials, executives at state oil company Petrobras and top leaders of the business community. The case involves more than \$2 billion in bribes paid in exchange for government contracts.

Moro's rulings sent high-level political figures including former President Lula and House Speaker Eduardo Cunha to jail, as well as Marcelo Odebrecht, the former chief executive of construction firm Odebrecht. Moro has been both criticized and praised, with opponents alleging he has disproportionately targeted leftist politicians, mostly from the Workers' Party, in his corruption investigations, *Folha de S.Paulo* reported.

Before taking on the Car Wash case, Moro had experience in trying money laundering cases in Brazil and wrote a book on the subject, *The Washington Post* reported. In 2013, he served as the assistant to Supreme Court Judge Rosa Weber in a vote-buying case that jailed high-profile politicians of the Workers' Party.

Moro earned a doctorate at the Federal University of Paraná in 2002 and earned his bachelors of law degree at Maringa State University in 1995. He is married to Rosângela Wolff Moro, also an attorney, who came under fire during the campaign for supporting Bolsonaro on social media posts.

Of Note:

In a statement, Moro said he would be stepping down from the Car Wash investigation immediately in order to accept "the honor" of being Bolsonaro's minister of justice. The president-elect has said he will merge the justice and security ministries into one, as well as a department created to fight money laundering that until now was part of the Ministry of Finance, *Folha* reported. Early last year, Moro had the support of nearly two-thirds of Brazilians in opinion polls. That figure dropped sharply after he sentenced Lula.

Sources: *Folha de S.Paulo*, *BBC News*, *The Washington Post*, *Reuters*

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policy of Lula. As a presidential candidate, Bolsonaro consistently critiqued China's role in the Brazilian economy, describing a dependency theory relationship in which China extracts Brazil's resources while saddling the country with massive loans. Bolsonaro's advisors will push for a more conciliatory tone toward Brazil's largest trading partner, a message that I expect Bolsonaro to heed for the simple reason that China will be a key factor in Brazil's very slow economic

“Foreign policy will not be a priority for the incoming administration.”

— Britta Crandall

recovery from the 2015-2016 recession. Investment from and trade with China is crucial in keeping Brazil's economy afloat. Brazil still struggles with chronic problems of inadequate education (as measured by PISA scores), weak infrastructure, low competitiveness and low productivity. So, Brazil needs China for economic growth, and Bolsonaro needs economic growth to bolster his legitimacy—especially if violence increases in Brazil in response to his militarist strategy toward crime. The Bolsonaro administration will continue the effort to shift Brazil's trade surplus with China away from basic commodities, and toward the telecommunications, banking and financial services, and technology industries. All told, in spite of the convenient China bashing on the campaign trail, I expect Bolsonaro to pragmatically treat China as a strategic partner. In regards to U.S.-Brazil relations, we will certainly see a closer rhetorical relationship between the two countries, driven by the natural affinity between Trump and Bolsonaro. This has the potential to yield outcomes such as a long sought-after bilateral tax treaty or cooperation with the Venezuelan crisis. But I don't

see their mutual admiration translating into a significant shift in the degree of cooperation or policy attention between the two countries. Bolsonaro likes Trump's way of doing business, but the underlying factors driving the bilateral relationship will remain unchanged.”

A Charles Tang, chairman of the Brazil-China Chamber of Commerce & Industry: “At the start of the Temer government, his minister of foreign affairs declared that Brazil would realign itself with the United States. When it became clear that only China was willing to take the significant risk of investing massively in Brazil's deepest economic crisis and extending substantial loans when the country's credit rating collapsed, the Temer government drew itself close to China. China's belief in Brazil helped its recovery and maintained jobs for countless Brazilians. The country's substantial foreign currency reserves derive from continuous surplus in its trade with China and due to Chinese investments. Future growth will depend on Chinese investments in Brazil's deficient infrastructure and huge energy requirements. A large number of anti-Workers' Party votes as well as votes for Bolsonaro elected him. The Bolsonaro government will be under pressure to deliver on economic growth, security and the fight against corruption. It will be hard to grow Brazil without China. Bolsonaro selected several capable members for his cabinet. Professor Paulo Guedes is a respected economist, and his chief of staff and minister of defense have already spoken on the importance of the relationship with China. Bolsonaro will realize that the 'Cold War' between communism and capitalism has ended and that China has become a very capitalistic country under its market economy socialism with Chinese characteristics. In Latin America, Brazil will cooperate with the right-leaning countries rather than those the Workers' Party always supported.”

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