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FEATURED Q&A

What Do Cabinet Picks Say About Brazil's Direction?



Sérgio Moro, who oversaw Brazil's massive "Car Wash" corruption probe, is to become the country's justice minister, among the government's highest-profile ministries. // File Photo: Brazilian Government.

Q Brazilian President-elect Jair Bolsonaro recently announced his selections for some of his most important cabinet positions, including Paulo Guedes as economy minister, Sérgio Moro as justice minister, Joaquim Levy as the head of Brazil's state development bank, BNDES, and Fernando Azevedo e Silva, a retired army general, as the next minister of defense. Bolsonaro has also floated the idea of merging the portfolios of different ministries, including justice and security, labor and production, and environment and agriculture. What do his cabinet picks say about the incoming administration's priorities and any major policy changes in the works? Are his cabinet choices so far a good fit for that agenda? What are the advantages and disadvantages of cutting or integrating certain ministries, and what unintended consequences could this move bring?

A Jana Nelson, former Brazil desk officer at the U.S. Department of State: "So far, Brazilian president-elect Jair Bolsonaro's cabinet picks have been somewhat moderate and in keeping with his proposed agenda of economic liberalization, anti-corruption and security. Although many have criticized Judge Sérgio Moro for taking a political position, it is hard to condemn Bolsonaro for selecting him. Arguably, Bolsonaro picked the best person to send a strong message that anti-corruption efforts in Brazil will continue. Governments in Brazil have suffered from a fragmented political system, which renders Congress ineffective. One of the ways to achieve a majority in Congress, when you have 32 parties, is to offer above-board political favors in exchange for congressional support. Cabinet positions were

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TODAY'S NEWS

POLITICAL

Brother of Honduran Leader Charged in U.S.

U.S. prosecutors called Juan Antonio "Tony" Hernández, the brother of Honduras' president, a "large-scale" drug trafficker and alleged he conspired to import cocaine into the United States.

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ECONOMIC

United Nations Releases \$9.2 Mn in Funds for Venezuela

The United Nations approved the release of the emergency funding through its Central Emergency Relief Fund.

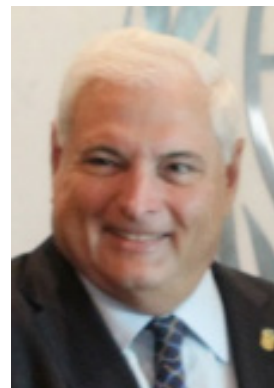
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POLITICAL

Panamanian Judge Orders Trial for Martinelli

A Panamanian judge ordered former President Ricardo Martinelli to stand trial on charges of political espionage. Martinelli, who was in office from 2009-2014, is also accused of embezzlement. He denies wrongdoing.

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Martinelli // File Photo: Panamanian Government.

POLITICAL NEWS

Honduran Leader's Brother 'Large-Scale' Trafficker: Officials

U.S. prosecutors on Monday described Juan Antonio "Tony" Hernández, 40, the younger brother of Honduran President Juan Orlando Hernández, as a "large-scale drug trafficker" who was so established in moving narcotics that he had his own cocaine brand and had his initials stamped on packets of the drugs, The New York Times reported. The younger Hernández spent a dozen years transporting cocaine through Central America and to the United States, prosecutors alleged. He was also deeply involved in a wide range of activities related to drug trafficking, which included arranging security for drug shipments, pocketing bribes from traffickers and assuring government contracts for companies that helped to launder drug money, Geoffrey S. Berman, the U.S. attorney in Manhattan, alleged. Hernández was charged with conspiring to import cocaine into the United States, as well as related weapons crimes and making false statements to federal agents, Berman added, WNBC-TV reported. Hernández, a former Honduran congressman, was arrested Friday in Miami. Between 2004 and 2016, several drug trafficking rings in Honduras worked with prominent public and private individuals, including politicians and law enforcement officers, in order to receive cocaine shipped from locations including Colombia and then transport them to the United States, prosecutors alleged Monday. The drug traffickers also bribed public officials, including members of Honduras' Congress, to aid in the effort, prosecutors added. Juan Antonio Hernández was linked to a drug trafficking ring called Los Cachiros when the ring's former leader, Devis Leonel Rivera Maradiaga, struck a plea deal with U.S. prosecutors, testifying that he had paid the president's brother a bribe, The New York Times reported. The younger Hernández has denied previous allegations of involvement with the criminal group, Reuters reported. Rivera has been cooperating with the

U.S. Drug Enforcement Administration since 2013, and those convicted in connection with his testimony include Fabio Lobo, the son of former Honduran President Porfirio Lobo, The New York Times reported. In a statement Friday, the office of Honduras' president confirmed the arrest of the president's brother and said no one was above the law. Attorney information for Juan Antonio Hernández was not immediately available, WNBC-TV reported. If convicted, he faces a life sentence in prison on the drug and weapons charges and five years in prison on the charge of making false statements to federal agents.

Panamanian Judge Orders Martinelli to Stand Trial

A Panamanian judge on Monday ordered former President Ricardo Martinelli to stand trial on political espionage charges, the Associated Press reported. Martinelli, who was the Central American country's president from 2009-2014, is accused of ordering the interception communications of at least 150 people and also spending millions of dollars on equipment to be used for spying, the wire service reported. Martinelli is also accused of embezzling government money because the spy equipment purchases are alleged to have been for "personal benefit." Martinelli has denied wrongdoing. If convicted, he faces up to 21 years in prison.

ECONOMIC NEWS

U.N. Releases \$9.2 Mn in Emergency Funds for Venezuela

The United Nations on Monday said it was providing \$9.2 million in emergency funding for Venezuela, which will provide food, medicine and other assistance to residents of the crisis-racked country, the Associated Press

NEWS BRIEFS

Incoming Mexican Finance Minister to Seek Larger Budget Surplus

Carlos Urzúa, Mexico's incoming finance minister, said Monday that he will seek a larger government budget surplus next year as part of the government's efforts to boost investor confidence, Reuters reported. Andrés Manuel López Obrador takes office as the country's president on Saturday, and Urzúa has said the new administration is aiming for a budget surplus of about 1 percent next year, as compared to a projected surplus of 0.7 percent this year.

Armed Assailants Attack Banks, Police Offices in Brazil's Maranhão State

A group of 50 armed individuals on Sunday night attacked the headquarters of the police force and the military police, as well as two banks in Bacabal, in Maranhão State, Globo reported. The gang burned at least two vehicles and prompted a shootout against police and military that left three of the attackers dead, Flávio Dino, the state's governor, said in a tweet. They also took several people hostage, gradually releasing them that same night. Three people have been arrested.

Peru Near Settlement in Odebrecht Case: Prosecutor

Brazil's Odebrecht and Peruvian prosecutors are close to agreeing on a settlement in relation to the probe into bribes the construction company paid in exchange for public work contracts in Peru, Rafael Vela, one of the prosecutors, told Reuters on Monday. He did not provide any further details about the deal. Odebrecht has confessed to paying around \$30 million in bribes in Peru, where the four most recent former presidents are under investigation for alleged links to the massive corruption scheme.

reported. Also on Monday, the United Nations International Children's Emergency Fund said it has expanded its programs in Venezuela.

BUSINESS NEWS

Canada's Scotiabank Plans to Exit Nine Caribbean Countries

Bank of Nova Scotia on Tuesday released its fourth-quarter earnings and announced it planned to sell its banking units in nine Caribbean countries as part of a shake-up. Scotiabank, which has operated in the Caribbean since 1889, said it would sell its subsidiaries in Anguilla, Antigua, Dominica, Grenada, Guyana, St. Kitts & Nevis, St. Lucia, St. Maarten and St. Vincent & the Grenadines to Republic Financial Holdings, a bank based in Trinidad & Tobago, for \$123 million, Republic said in a statement, Loop News reported. Scotiabank said the transactions are not material to the bank, but once the deal closes, it would boost its score tier 1 capital ratio by 10 basis points, Reuters reported. The agreements are subject to regulatory approval. Additionally, the Canadian bank said it was planning the sale of its insurance operations in Jamaica and Trinidad & Tobago, adding it would partner with Barbados' Sagikor Financial Corporation to sell insurance products in those countries. Scotiabank reported adjusted earnings per share of 1.77 Canadian dollars, or \$1.33, in the fourth quarter, slightly below analysts' forecast of 1.79 Canadian dollars per share, Reuters reported, citing IBES data from Refinitiv. Excluding one-time costs, Scotiabank's net income rose 13 percent year-on-year to 2.35 billion Canadian dollars (\$1.77 billion). The bank's international earnings saw a quarterly net income increase of approximately 21 percent to \$804 million, driven by the bank's businesses in the Pacific Alliance countries (Mexico, Peru, Chile and Colombia). For its full financial year, Scotiabank registered earnings of 8.72 billion Canadian dollars, up from a profit of 8.24 billion Canadian dollars last year.

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often used as such favors. In order to have more to offer, more cabinet positions were created, resulting in a 'Frankenstein' executive branch made up of 29 cabinet-level ministries. Almost one for each political party. Bolsonaro, however, has started with strong congressional support and doesn't need such a large cabinet. Merging ministries, therefore, makes sense both politically and administratively. That said, Bolsonaro started his integration with sectors in the executive branch that were largely seen as working well independently, such as labor and production. In this case, his goal is to heat up the economy with job creation, not—as labor usually is intended for—protecting the worker. Most likely, social policies will suffer from the cutting and integrating of ministries. But that is the result of president-elect Bolsonaro's priorities, that is, the problem is with the ends, not the means."

A **Maurício Santoro, assistant professor and head of the Department of International Relations at the State University of Rio de Janeiro:** "Jair Bolsonaro's presidential campaign was a successful blend of three main currents in Brazilian conservative politics: religion, law and order and pro-business policies. The choices that the president-elect has announced for his cabinet reflect that alliance, but the type of conflict that will arise from the mix is also becoming clear, especially in the contradictions between economic technocrats such as Paulo Guedes and Joaquim Levy and the more nationalistic practices of others. The disputes are already present in the debate about what ministries are going to end, with interest groups pressuring for the maintenance of cabinet positions that are closer to their views. These struggles are far from over, with many industrial and business associations saying that they support Guedes' liberalization proposals, but—and there's always a but—that the government should also take care of its own particular con-

cerns. That explains why Brazil had almost 40 ministries a few years ago. Now, there are 29. The lack of ministers with strong links to Congress is also remarkable. This is understandable in the face of the current anti-establishment mood in Brazil, but no government since the return of democracy survived without a cabinet based on the president's parliamentary alliances. If this situation persists, we may expect the need for adjustments in the Bolsonaro administration to deal with demands from Congress."

A **Erich Decat, political analyst at XP Investments:** "The financial markets and investors have reacted positively to the people Bolsonaro has selected, such as Paulo Guedes at the Economy Ministry, Mansueto Almeida at Treasury and Roberto Campos Neto at the central bank. With this team, Bolsonaro has signaled that his government will stick to the backbone of

“ **The financial markets and investors have reacted positively to the people Bolsonaro has selected.**

— Erich Decat

the current economic policies, which have helped Brazil climb out of a deep recession. Bolsonaro also made a strategic move when he nominated Sérgio Moro, the judge who oversaw the 'Car Wash' probe, as the next minister of justice. Bear in mind that voters demanded a fight against corruption in the recent election. Effectively, the composition of the new government is underway. However, it seems that Bolsonaro doesn't have more than names to present. Some key questions are still unanswered: What is the economic plan? What reforms will the new

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government propose? What are his ideas for the infrastructure? In parallel to these and other questions, there are also doubts about the design of the next cabinet. The idea is to merge several ministries to reduce the influence of some 'old politicians.' This kind of measure is laudable. The challenge is the execution. For instance, after the reaction of lawmakers representing agribusiness, Bolsonaro gave up the idea to merge the agriculture with environment ministries. In fact, there are different drafts on the table. However, at the moment, we can only see names emerging from it, not a plan."

A **Gustavo Ribeiro, author at The Brazilian Report:** "Bolsonaro's idea of creating 'super ministries' is quite interesting. It can be a way of avoiding political backlash if the minister fails. The president will be able to say that he gave his cabinet members all the necessary tools to succeed. But that can also cast a shadow over him—especially with future Justice Minister Sérgio Moro. If Moro is successful, he will become an

instant contender for the 2022 presidential race. In economic terms, merging ministries means more problems than solutions. It doesn't magically reduce the number of pub-

“**In economic terms, merging ministries means more problems than solutions.**”

— Gustavo Ribeiro

lic servants, and it creates internal disputes that can be counterproductive. Moreover, concentrating too many responsibilities on a handful of people has proven in the past to be a recipe for disaster, especially in an administration filled with people with almost no experience in government.”

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

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Advisor Video

Seeking Truth in Polarized Times: The Challenges of Colombia's Truth Commission

An Inter-American Dialogue Discussion with Francisco de Roux, Commission for the Clarification of Truth, Coexistence and Non-repetition Viviana Krsticevic, Center for Justice and Int'l Law Michael Camilleri, Inter-American Dialogue Benjamin Gedan, Wilson Center

View a webcast of the Nov. 16 discussion.

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