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FEATURED Q&A

How Has Power Shifted in Brazil's New Congress?



The re-election of Dep. Rodrigo Maia (DEM-RJ) as head of Brazil's Chamber of Deputies next month would be seen as positive for President Jair Bolsonaro, David Fleischer writes below. // File Photo: Agência Brasil.

Q Fragmentation in Brazil's Congress is at historically high levels, with legislators from 30 parties elected to the Chamber of Deputies. And while new President Jair Bolsonaro's Social Liberal Party, or PSL, has the second-largest representation of any party in the lower chamber, it has just 10 percent of its seats and is filled with political newcomers. How strong is Bolsonaro's support in Congress among parties other than his own? Will his government be able to form coalitions in order to win approval for his legislative priorities? Which parties and people are the new power brokers in Brazilian politics following last year's resounding defeat of the leftist Workers' Party? How popular is Brazil's Congress, and how much clout does it have to push back against the country's new president and its active judiciary?

A Monica de Bolle, director of the Latin American studies program at Johns Hopkins' School of Advanced International Studies: "Bolsonaro's own party, PSL, is itself very fragmented. Brazilian politics may have shifted to entirely new territory with Bolsonaro's election. Although coalitional presidentialism (characterized by minority presidents who need to build coalitions that are often unstable) still defines Brazil's political system, there are new political power brokers on the scene: most notably, the religious right wing—very similar to the religious right wing in the United States—composed of various evangelical and neo-pentecostal groups. The evangelicals were key to Bolsonaro's victory. Data shows that in municipalities with a large share of these religious groups, Bolsonaro won more than 50 percent of

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TODAY'S NEWS

POLITICAL

Tensions Rise in Venezuela With Call for Protests

Venezuela's opposition-controlled National Assembly has called for nationwide street protests today, accusing President Nicolás Maduro's government of "usurping power" and calling for new elections. Maduro and his supporters plan to hold a parallel rally outside the Miraflores presidential palace.

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BUSINESS

Argentina, Brazil Boost Carrefour

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ECONOMIC

Bolsonaro Courts Business at Davos

While media described Brazilian President Jair Bolsonaro as the "face of populism" at Davos, his short speech skirted controversy and focused on plans for creating a more business-friendly climate.

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Bolsonaro // Photo: Alan Santos, Brazilian government.

POLITICAL NEWS

Tensions Rise in Venezuela With Call for Street Protests

Venezuela's opposition-controlled National Assembly has called for nationwide street protests today, accusing President Nicolás Maduro's government of "usurping power" and calling for new elections, CNN reported. Maduro and his supporters plan to hold a parallel rally outside the Miraflores presidential palace. The protests would mark 61 years since the fall of the country's military dictatorship in 1958. Venezuela's newly named National Assembly president, Juan Guaidó, called the protests an "historic appointment with the people," BBC News reported. A relative political newcomer, Guaidó, 35, has been holding town-hall-style meetings and drumming up support for his plan to form a provisional government that



Guaidó // File Photo: @jguaido via Twitter.

would hold elections within 30 days, the Associated Press reported. Venezuela's Supreme Court on Tuesday asked the state prosecutor to investigate whether Guaidó had committed a crime. International pressure has been building against Maduro, who took office this month for a second term after elections last year that critics called a sham. In an opinion piece for *The Wall Street Journal*, U.S. Vice President Mike Pence, who spoke with Guaidó last week, said the United States "strongly supports the National Assembly." "For the sake of our vital interests, and for the sake of the Venezuelan people, the U.S. will not stand by as Venezuela crumbles," he wrote. "Nicolás Maduro must go." In a televised speech, Maduro rejected Pence's

remarks and called for a "total, absolute revision" of Venezuela's diplomatic relations with the United States. On Monday, about two dozen National Guard troops raided an arms depot in Caracas and called on Venezuelans to support their uprising, but they were quickly arrested, and neighborhood protests that broke out in support of the insurrection were swiftly put down with tear gas. Guaidó has promised amnesty for those who refuse to serve Maduro's government, including the military. "We're not asking you to launch a coup d'état, we're not asking you to shoot," he said. "We're asking you not to shoot at us." Today's protests are expected to be the largest demonstration since 2017, when thousands of protesters clashed with security forces for months, resulting in more than 100 people killed.

ECONOMIC NEWS

Bolsonaro Courts Business at Davos

Three weeks into his term in office, Brazilian President Jair Bolsonaro on Tuesday delivered the keynote address at the World Economic Forum in Davos, Switzerland, his first trip abroad as the leader of South America's largest country. While international media such as *The New York Times* described Bolsonaro as the 'face of populism' at Davos, his unusually short speech, at less than 10 minutes, touched on plans for creating a more business-friendly climate for investors and stayed away from controversy, Reuters reported. The far-right former army captain promised to simplify Brazil's tax system and cut public debt, saying his government would make the country one of the top 50 in which to do business. Bolsonaro also sought to rebuff criticism from environmentalists after threatening to pull out of the Paris climate accord. His mission, he said, was to boost economic development while also protecting the environment and biodiversity. Analysts had been hoping to hear more details from Bolsonaro's speech about his economic plans, *The Wall Street Journal* reported. "Everyone was expecting that Paulo Guedes [Mr.

NEWS BRIEFS

Mexico Unemployment Increases in December

Mexico's unemployment rate rose to a higher-than-expected 3.6 percent in December on a seasonally adjusted basis, the highest level in two years, state statistics agency INEGI said Tuesday. The number of underemployed people rose to 7.2 percent, up from 7.0 percent the same month a year ago. Labor force informality also rose in December slightly, to 56.8 percent. In December, 59.7 percent of Mexico's population aged 15 and over was economically active, according to INEGI.

Venezuela Sponsors Flights for Citizens in Ecuador to Return Home

Venezuela's government said Tuesday it is sponsoring flights to transport migrants living in Ecuador back home after the murder of an Ecuadorean woman by a Venezuelan man triggered tighter controls and acts of violence, Reuters reported. The Saturday night killing in the city of Ibarra has led to reprisal attacks on random Venezuelans. "Many of the Venezuelans in Ibarra want to go back," said Pedro Sassone, the chargé d'affaires at Venezuela's embassy in Ecuador. "Venezuelans in Ibarra are being fired from their jobs—that is xenophobia, that is discrimination."

Telefónica in Talks to Sell Central America Ops

Spain-based phone service provider Telefónica confirmed Tuesday it is negotiating the sale of its Central American operations, Reuters reported. Although no agreement has been reached so far, the deal could encompass all or some of the company's assets in Costa Rica, El Salvador, Guatemala, Nicaragua and Panama. Those five countries combined accounted for less than 5 percent of Telefónica's group operating income for the first nine months of last year, according to Reuters.

Bolsonaro's economy minister] would prepare a detailed speech for the Davos community," said Oliver Stuenkel, a professor at Brazil's Getúlio Vargas Foundation. "Why waste such a unique opportunity?" In an interview with Bloomberg News today at Davos, Bolsonaro said that plans to sell a large number of state-owned companies are nearly ready, and a proposal to be sent to Congress will bring "substantial" cuts to pension outlays and adopt a minimum retirement age. However, his trip has been dogged by Brazilian media reports on allegations of financial irregularities involving his oldest son, Senator-elect Flávio Bolsonaro. "If by chance he erred and it were proven, I regret it as a father, but he'll have to pay the price for those actions we can't accept," Bolsonaro said.

BUSINESS NEWS

Argentina, Brazil Sales Boost Carrefour

France-based retailer Carrefour said Tuesday that Argentina and Brazil results in the fourth quarter of 2018 improved sharply, helping push overall Latin America sales up 12.9 percent on a like-for-like basis, as compared to 7.5 percent during the first nine months of the year. Worldwide, Carrefour sales rose 1.9 percent during the fourth quarter. In Brazil, Carrefour posted "significant growth" of 6.2 percent on a like-for-like basis and 10.7 percent in organic terms, driven by "good commercial performance, expansion and development of e-commerce," the company said, adding that results also benefited from the return of food inflation since June. In Argentina, sales grew 39 percent on a like-for-like basis, with higher traffic and volumes "despite a complex macroeconomic context," the company said. Argentina has been struggling with a recession that has extended into this year, coupled with high inflation. Nine out of 10 Argentines say inflation is the biggest worry, followed by economic uncertainty and utility price hikes, Bloomberg News reported Tuesday, citing a poll by D'Alessio IROL-Berensztein, which interviewed 1,355 people in December.

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the vote in the runoff. The evangelical caucus in the Brazilian congress—a nonpartisan caucus—holds some 199 seats, or just under 40 percent of the lower house. Their main agenda, however, is not pension reform or other major economic policy initiatives, but approving anti-abortion legislation and reversing minority rights, such as for the LGBT community. Another powerful group close to Bolsonaro is former army generals, both in the cabinet as well as in the vice presidency. It is unclear how the former generals, the evangelicals, the technocratic economic team and a very fragmented Congress will align to facilitate the reform agenda. More likely than not, these groups will clash, delaying crucial reforms. In a nutshell, Brazilian politics are about to become much more complicated than what we have witnessed in the recent past."

A Rubens Barbosa, former ambassador of Brazil to the United States: "The Brazilian Congress will start the legislative session on Feb. 1 with 21 parties, the most fragmented representation in history. This, together with the uncertainties around the election of the speakers of the House of Representatives and of the Senate, of the leaders of the majority and minority and of political parties, make difficult any forecast about lawmakers' behaviors. Despite their low level of approval, both houses will have a huge responsibility this year with the inauguration of Bolsonaro's government. New legislation that may transform the economy and allow the return of fiscal stability and growth will be introduced. At the top of the list are the social security and tax reforms. Most of the additional legislation has to do with a liberal agenda in the economy (opening the market, simplifying rules and regulations, and business facilitation) and with a conservative approach in social and value matters (use of arms, corruption, education). Congress will be as divided as the country is, and the major parties, including the PSL (Bolsonaro's

party), the MDB (Temer's party), the Workers' Party and the Social Democratic Party, will have an important role in the discussions and voting of those reforms. The power brokers in Congress will be the speakers of both houses and the party leaders. It remains to be seen if congressional blocs (agriculture, evangelicals and pro-gun lobby) will have the influence Bolsonaro thinks they may have to approve such a divisive agenda."

A David Fleischer, emeritus professor at the University of Brasília and editor of Brazil Focus: "In 2018, 30 political parties elected at least one deputy, and 20 parties elected at least one senator. However, 11 parties did not surpass the 'threshold barrier' of 1.5 percent of the valid vote for federal deputies. These parties are in the process of merging with other parties in this group or incorporating into other larger parties. This 'barrier' allows the deputies elected to take office on Feb. 1, but these 11 parties will not have access to the national party fund or the free TV propaganda time allocated by the electoral court. No money and no TV are enough to 'kill' any political party in Brazil. Four of these parties have already been incorporated into larger parties, and several senators from these parties have switched to larger parties. Thus, the lower house may eventually have between 20 and 22 parties. Bolsonaro is in the process of articulating his support coalition in Congress and reportedly has a potential bloc of some 250 deputies. Most observers feel that he will achieve a sufficient majority to approve important reforms, such as the social security reform that is the 'key signal' investors have been waiting for in order to make large new investments in Brazil. The elections for the new presidents in the Chamber of Deputies and Senate on Feb. 1 will be important for the construction of Bolsonaro's coalition. The re-election of Dep. Rodrigo Maia (DEM-RJ) as Chamber President would be seen as positive for Bolsonaro, but the election of

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Sen. Renan Calheiros (MDB-AL) would have a negative impact. The Supreme Federal Court has refrained from intervening regarding the rules for these elections.”

A **Carolina Costa Hurtado, director of the Brazil and Southern Cone Practice at McLarty Associates:**

“When President Jair Bolsonaro was elected with a strong mandate in a second-round runoff election last October, it marked a sharp break with the historical dominance of the Workers’ Party (PT) and Social Democracy Party (PSDB) over the previous two decades. But his election was preceded by an equally notable paradigm shift in the Brazilian Congress. Just eight of 54 Senate races (15 percent) in 2018 were won by incumbent candidates, while just 251 of 513 members (48.9 percent) of the Lower House were re-elected. This shift was largely propelled by the emergence of the PSL as a force supporting Bolsonaro’s agenda, particularly on issues of citizen security and anti-corruption, and strengthened the new president’s hand in dealing with other right-leaning parties—particularly the Democrats (DEM). The PSL has already indicated that it unanimously supports Rodrigo Maia’s (DEM) re-election as Lower House Speaker, which is a key step toward passing pension reform. It will also gain control of the Lower House Constitution and Justice (CCJ) and Finance and Taxation (CFT) committees. However, because the reform itself remains politically unpopular, it still faces an uphill climb to achieve the three-fifths majority required to approve comprehensive reform via a constitutional amendment. Given President Bolsonaro’s steadfast opposition to granting political appointments in exchange for shoring up support in Congress among parties, it remains to be seen what the impact will be with respect to congressional support for Bolsonaro’s priority legislation. Some analysts have speculated that this

may force Bolsonaro to advance reform in a piecemeal fashion.”

A **Erich Decat, political analyst at XP Investments:** “Brazil’s congressional activities will start next month, with some questions about the governability of Jair Bolsonaro’s administration. The key question is: how big is Bolsonaro’s coalition? Nobody knows. And when I say nobody, this also includes some advisors to the president who have been nominated to negotiate with the new Congress. Bear in mind that during the election, only Bolsonaro’s own party, the PSL, and the vice president’s party, the PRTB, supported Bolsonaro. Currently, the PSL is the second-largest party in the lower house. It has 56 elected lawmakers, out of 513 members. The PRTB has none. Alone they won’t get so far. A solution that the PSL is pursuing is to join the group of parties that support the current speaker, Rodrigo Maia (DEM), in keeping his position in the new Congress. Today, Maia’s re-election is supported by 12 parties, or 262 lawmakers. The PSL is one of them. The first test for the government on the floor of the House will be the proposal that redefines the shape of the federal administration. The vote on this bill will give us some idea about existing support for the government. But even after the vote on this bill, other questions will arise, such as whether this group of lawmakers will have the same willingness to vote on controversial issues such as the pension reform. Despite a lack of clear answers, I believe that Congress will be supportive in the short term. Why? Because, currently, Bolsonaro enjoys big support among different sectors of society, and, normally, lawmakers tend to act based on pragmatism.”

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

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