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FEATURED Q&A

Is Brazil's Bolsonaro Losing His Political Capital Already?



Brazilian President Jair Bolsonaro spent 17 of his first 50 days in office this year hospitalized.
// File Photo: Brazilian Government.

With fewer than 50 days in office, Brazilian President Jair Bolsonaro on Feb. 18 dismissed a key aide, Gustavo Bebianno, after reporters linked him to a corruption scandal involving phony candidates and the misuse of campaign funds. Has the scandal early in his administration weakened the president and his cabinet, or has Bolsonaro managed to control damage well? To what extent does the incident and ongoing scandals involving his sons diminish Bolsonaro's political capital in his so-called honeymoon period? Will the scandals derail key reforms Bolsonaro hopes to get through Congress?

A Erich Decat, political analyst at XP Investments: "The recent dismissal of a key aide of President Jair Bolsonaro hasn't affected the relationship between the government and Congress, nor even with the voters. Bear in mind that Bolsonaro based his presidential campaign on an anti-corruption pledge. Therefore, the Brazilian president only followed the same electoral script when he laid off the minister, who was linked to a corruption scandal about a misuse of campaign funds. Another key point that we can add in this analysis is the results of the latest XP poll. It showed us that the president has kept his high popularity among voters. This kind of social support reflects directly on lawmakers' moods. Nevertheless, it is important to point out that these scenarios don't mean that the Bolsonaro government already has support in Congress to pass the controversial pension reform, which was released last week. Despite the government's optimistic schedule for the bill to be voted on by July, the date to finish the congressional

TODAY'S NEWS

POLITICAL

U.S. Resolution on Venezuela Fails at United Nations

Russia and China vetoed a U.S.-led resolution in the United Nations Security Council on Thursday that called for new elections and unhindered distribution of humanitarian aid in Venezuela.

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ECONOMIC

Brazil GDP Rises 1.1 Percent in 2018

Although the figure is about a third of what economists had expected at the outset of last year, South America's largest economy has continued to claw free from an historic recession in 2015 and 2016 that saw declines of more than 3 percent.

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POLITICAL

Court Clears Former Argentine President Menem

A court has cleared former Argentine President Carlos Menem of charges that he attempted to interfere with the investigation into a 1994 bombing that killed 85 people at a Jewish center.

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Menem // File Photo: Argentine Government.

POLITICAL NEWS

Russia, China Block U.S. Resolution on Venezuela

Russia and China vetoed a U.S.-led resolution in the United Nations Security Council on Thursday that called for new elections and unhindered distribution of humanitarian aid in Venezuela, The New York Times reported. The Kremlin has remained closely aligned with President Nicolás Maduro of Venezuela even as the United States and about 50 other countries have recognized opposition leader Juan Guaidó, 35, as the constitutional interim president. Russia's foreign minister, Sergei Lavrov, said today in Moscow at a news conference with Venezuelan Vice President Delcy Rodríguez that Russia is providing supplies of wheat amid widespread food shortages in the oil-rich nation, Reuters reported. Rodríguez said that Venezuela would be moving a European office of state oil company PDVSA soon to Moscow. Speaking from Brasília where he was meeting with President and ally Jair Bolsonaro, Guaidó said Thursday he would return to Caracas this weekend despite "threats" from Maduro's government after he left the country last Friday ahead of a failed attempt to get the military to allow humanitarian aid into Venezuela. Bolsonaro said Brazil would "spare no effort" at helping Venezuela return to democracy within the law, the Associated Press reported.

Court Clears Former Argentine President Menem in Cover-Up

A court in Buenos Aires on Thursday cleared former Argentine President Carlos Menem of charges that he attempted to interfere with the investigation into a 1994 bombing that killed 85 people and wounded 300 others at a Jewish center, Clarín reported. A dozen others were acquitted of similar charges, but the three-judge panel convicted several of Menem's co-defen-

dants on related charges. Among them was Menem's former intelligence chief, Hugo Anzorreguy, and Juan José Galeano, who was the original judge in the initial case of the bombing of the Argentine Israelite Mutual Association, or AMIA, center in Buenos Aires. Anzorreguy was sentenced to four and a half years in prison for embezzlement and concealment, while Galeano was sentenced to six years in prison for concealment, embezzlement, malfeasance, illegal deprivation of liberty and violating evidence. The trial stemmed from allegations that Menem, who served as president from 1989 to 1999 and is currently a senator, attempted to divert the investigation away from a Syrian businessman who was a friend of the Menem family, the Associated Press reported. "In these three years there was not a single element that could justify an illicit act on the part of the former president," Menem's lawyer, Omar Daer, told reporters after the court made its rulings. "He feels relieved." However, a group of victims' relatives criticized the judgment. "It is more than clear, and the evidence proves it, that the Menem government knew that the attack would happen and did absolutely nothing to avoid it, much less to clarify it," said the Active Memory group. "He is and will be one of the principals responsible for impunity in the AMIA case." Even if he were convicted, Menem, 88, would likely have avoided prison time due to the protections he maintains as a senator. No one has been convicted of carrying out the truck bombing, though prosecutors have accused several Iranian officials in connection with the attack. Iran's government has denied any involvement and has refused to turn over people implicated in the bombing.

Mexican Congress Approves Hybrid National Guard

Mexican lawmakers on Thursday approved President Andrés Manuel López Obrador's plan to create a hybrid National Guard force consisting of 60,000 members to fight criminal groups in the country, The New York Times reported. The lower chamber of Congress in

NEWS BRIEFS

Brazil GDP Rises 1.1 Percent in 2018

Brazil's state statistics agency said Thursday that gross domestic product rose to 6.8 trillion reais (\$1.82 trillion) in 2018, increasing 1.1 percent as compared to the year before. Although the figure is about a third of what economists had expected at the outset of last year, South America's largest economy has continued to claw free from an historic recession in 2015 and 2016 that saw declines of more than 3 percent.

Chile Climbs Ranking for Mobile Broadband Access

Mobile broadband subscriptions in Chile rose to over 17 million at the end of June 2018, up 23.7 percent year-over-year, Telecompaper reported today, citing data from the Organization for Economic Cooperation and Development, or OECD. The surge in lines means the country now ranks 21st in the OECD's ranking of 37 countries, up five notches. In terms of penetration, the country rose from 75.2 mobile connections per 100 inhabitants in June of 2017 to 91.9 connections per 100 inhabitants in June of 2018. Chilean officials acknowledged, however, that about 1,500 localities in the country remain without any type of connectivity.

Peru Closer to Granting License for \$1.4 Billion Southern Copper Project

Peru's government is likely to give Southern Copper a license to construct its \$1.4 billion Tía María project before the environmental permit for the project expires in August, Mines and Energy Minister Francisco Ísmodes told Reuters on Thursday. The company has been waiting for the construction license for years, but successive Peruvian governments have held back on granting it over worries that it might spark protests similar to the deadly ones that threw the project off course in 2011.

a nearly unanimous vote approved the plan following the Senate's almost-unanimous vote in favor of it on Feb. 21. The new force will combine Federal Police officers with members of the policing units of the army and navy. The top commander of the new force can be a military commander but would report to a civilian, the newspaper reported. Human rights activists and civil society groups have sought to limit the influence of the military in the new force and have warned that it could further militarize the country's law enforcement. The new force will be part of the civilian-led Ministry of Security and Citizen Protection. The plan that Mexico's Congress approved will allow the military to stay active in combating domestic organized crime, The New York Times reported. However, after a five-year period of transition, the military is to be removed from that role. The plan involves changes to more than a dozen articles in Mexico's Constitution and must win the approval of a majority of the country's state legislatures. López Obrador last month declared that the army would no longer prioritize capturing cartel bosses, ending Mexico's "war on drugs." [Editor's note: See related Q&A in the Feb. 25 issue of the Advisor.]

BUSINESS NEWS

Colombian Oil Pipeline Attacked

Colombia's Caño Limón–Coveñas pipeline was bombed for the ninth time this year on Thursday, causing an oil spill in the country's eastern Arauca province, state oil company Ecopetrol announced. The pipeline was not pumping oil at the time of the attack, and the spill was contained in and near the crater that the explosion caused. Ecopetrol did not say who was responsible for the attack, but the National Liberation Army, or ELN, rebels frequently carry out attacks on Colombia's oil infrastructure. Last month, President Iván Duque announced a new hardline strategy for dealing with the ELN. [Editor's note: See related Q&A in the Feb. 22 issue of the Advisor.]

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discussion over the pension reform is still unpredictable. Basically, the outcome will depend on how the government communicates with society; how lawmakers react to the pressure from social media and from public servants; and how the government conducts the new model of negotiation, which won't be based on the traditional pork barrel any more. Effectively, there is room to advance in these key points. The ball is in Bolsonaro's court."

A **Fernando Rodrigues, journalist and publisher of Poder360:** "Jair Bolsonaro emerged stronger from the incident with Gustavo Bebianno. He did what he wanted to do and also made the military in his administration comply with his decision. Bebianno was replaced by another general. One could say that the military got stronger with the move, as well. That's a superficial assessment of the episode. The fact of the matter is that Bolsonaro managed to get rid of someone inside Palácio do Planalto whom he

CC **Bolsonaro managed to get rid of someone inside Palácio do Planalto whom he identified as not trustworthy anymore.**

— Fernando Rodrigues

identified as not trustworthy anymore. I don't think the preeminence of Bolsonaro's sons is a crisis in itself. Although the stories were vividly portrayed by the mainstream media, there have been no practical consequences so far. The main political priority of Bolsonaro right now is to fix the federal budget deficit. For that to happen, it is paramount that Congress pass the social security and pensions reform. At the moment, it is not clear how Palácio do Planalto will build up a

majority in both chambers of the Congress. I would predict that it will be business as usual, with a lot of pork being distributed to congressmen in the next 45 to 60 days. The press will discover some of those deals. It will be perceived as an obnoxious strategy from a president who has been elected with a public discourse of cleaning up everything in politics. But in the end, the reform will pass, the economy will perform better, and Bolsonaro and his group will all benefit from that. Finally, regarding whether the scandals derail key reforms Bolsonaro hopes to get through Congress: The Brazilian Congress is filled up with politicians facing charges of all sorts. There is no reason to believe congressmen will defeat a president just because he resembles them in real life."

A **Monica Arruda de Almeida, adjunct faculty at Georgetown University:** "The Bebianno problem had an insignificant effect on Jair Bolsonaro's popularity. Those who didn't support Bolsonaro see the controversy about the early firing of Bebianno as one more reason not to trust the new government, and those who support Bolsonaro believe that the president was correct in firing Bebianno because he was disloyal. Bebianno accused Carlos Bolsonaro, the president's son and council member of the city of Rio de Janeiro, of poisoning the president's mind against him. When Carlos Bolsonaro called out Bebianno as being disloyal, among other things, Bebianno attempted to prove Carlos wrong by releasing to the public private phone message exchanges between Bebianno and the president. The whole episode seemed more like tabloid gossip, especially when compared to the real tragedies that have enveloped Brazil this year. First, the state of Ceará was besieged for weeks by organized criminal groups fighting the transfer of their leaders from state to the federal prisons, which are more secure. Then, on Jan. 25, the mining dam owned by Vale in Brumadinho

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collapsed, killing more than 300 people and damaging the environment for decades to come. On Feb. 11, 10 teenage players of the Flamengo Soccer Club youth team died during a fire while sleeping in the club's improvised lodging facilities. Now that the president has reemerged from his 17 days of hospitalization, one would hope that the government's very important reform proposals for the economy and public security are debated in and ultimately approved by Congress."

A **Juliano Griebeler, director of government affairs at BMJ Consultores Associados:** "Bebianno's dismissal was more due to the interference of Bolsonaro's son than to the scandals regarding the misuse of campaign funds. The incident shows how Bolsonaro's family has a direct influence on the president's cabinet and can be a variable that increases the sense of instability instead of helping to keep things calm. A president's son interfering and acting to sack a minister is a precedent that does not help the government overcome the scandals and be able to create internal cohesion with the base for the approval of its agenda. Bol-

“The constant involvement of Bolsonaro’s sons in scandals can damage his image.”

— Juliano Griebeler

sonaro's governability is based on the public opinion's support for his administration. The dismissal of Bebianno did not affect his political capital with the general public. However, the constant involvement of Bolsonaro's sons in scandals can damage his image, which would also result in a loss of strength to push forward the reforms in Congress. Internally, Bebianno had a good relationship with government and Congress members, and other ministers were displeased with

how the president let his son challenge a minister. Up until now, Bebianno's case did not directly affect the government's key reform plans. However, articulation within the Congress is still a major uncertainty, as are the tools that the president will use to have the pension reform approved as close as possible to the original text that the Economy Ministry drafted."

A **Caio Pizetta Torres, political risk analyst for Brazil and the Southern Cone at Control Risks' global risks analysis practice in São Paulo:** "Bebianno was directly involved in negotiations with different political forces in Congress to secure support for the approval of the government's reform agenda, and his departure came at a sensitive time as Bolsonaro delivered his flagship pension reform bill to Congress on Feb. 20. The fact that important government allies, including Speaker of the Chamber of Deputies Rodrigo Maia, attempted to prevent Bebianno's dismissal illustrates the key role he played in coordinating the administration's legislative program. Nevertheless, while his dismissal certainly does not contribute to the prospects of approval of the pension reform, it is very unlikely to become a deal breaker. The proposed bill was broadly well-received, with suggested cuts to overly generous benefits for civil servants helping to defuse some of the criticism. The current proposal will also enjoy greater support than previous attempts to overhaul the pension system given that it is perceived as crucial to reignite economic growth. In this context, the Bebianno scandal as well as other unforced errors are a rather strong indication of the administration's erratic policymaking and inexperience in negotiating with lawmakers. Changing the pension system remains a polarizing topic and, without a clear majority in Congress and a robust coordination team, the administration will have little control over the final version of the reform once it goes to the floor, increasing the risk of delays and it being watered down."

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