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## FEATURED Q&A

# Will the U.S. and Brazil Reach a Free-Trade Deal?



U.S. President Donald Trump and Brazilian President Jair Bolsonaro, pictured in March at Trump's Mar-a-Lago Club in Florida, have voiced support for closer economic relations. // File Photo: Brazilian Government.

**N**early a year ago, U.S. President Donald Trump said he would pursue a free-trade agreement with Brazil, suggesting that a warm relationship with Brazilian President Jair Bolsonaro could lead to lower trade barriers between the Western Hemisphere's two largest economies. But Democrats in the U.S. House of Representatives this month signaled that they would block a trade deal, citing human rights concerns under the Bolsonaro administration. Are plans for a U.S.-Brazil free-trade agreement on track, and how strong is opposition to the effort in Brazil and the United States? What would an agreement mean for the two countries? What are the biggest sticking points that could prevent a deal?

**A** Gabrielle Trebat, managing director for Brazil and the Southern Cone at McLarty Associates: "The U.S.-Brazil relationship is experiencing its most positive moment of the past decade with numerous commitments made between Presidents Trump and Bolsonaro to bring the two countries closer together diplomatically. Notwithstanding the political approximation, money is being left on the table economically in the absence of a comprehensive free-trade agreement, with total bilateral trade just over \$100 billion. For U.S. industry, an FTA has long been an objective, but political realities in both countries, including a complexity of viewpoints in the U.S. Congress and Brazil's commitments under Mercosur, mean that achieving an FTA with market access commitments is neither feasible nor realistic at this time. As such, both presidents made the practical decision to focus on what is achievable with negotiations underway to address non-tariff barriers. The

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Venezuela's Supreme Court, which is loyal to President Nicolás Maduro, on Friday night seated a new elections commission, drawing condemnation from the opposition.

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Mexican state oil company Pemex has reportedly proposed a sharp cut in its number of privately owned drilling rigs used this year and next.

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## Chile's Piñera Replaces Health Minister

Chilean President Sebastián Piñera replaced Health Minister Jaime Mañalich amid controversy over the country's deaths from Covid-19. Piñera praised Mañalich, saying he spared "no effort." Enrique Paris will succeed Mañalich.

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Mañalich // File Photo: Chilean Government.

## POLITICAL NEWS

## Venezuela's Supreme Court Seats New Elections Authority

Venezuela's Supreme Court, which is loyal to President Nicolás Maduro, on Friday night seated a new elections commission, a move that came ahead of this year's planned legislative election, the Associated Press reported. The opposition quickly denounced the high court's action. "If we don't recognize this farce of a Supreme Court, we don't recognize anything it produces," the opposition-controlled National Assembly's first vice president, Juan Pablo Guanipa, said in a tweet. "As Venezuelans, we make our demand to the world for a free vote!" The National Assembly is the only branch of Venezuela's government that Maduro does not control, and dozens of countries recognize the legislature's leader, Juan Guaidó, as Venezuela's legitimate interim president. If Guaidó loses that position, it is unclear whether they would continue to do so. After the opposition won control of the National Assembly in late 2015 and before Maduro's allies had to give up control of the legislature, they stacked the Supreme Court with his supporters. The high court went on to sideline the National Assembly by voiding its actions. In 2017, Maduro's government created a new, powerful legislature, the Constituent Assembly, made up entirely of his supporters. The Supreme Court's move Friday to seat a new elections commission was disheartening to some of Maduro's moderate opponents who had been seeking to reach an agreement with the ruling party on minimal guarantees for a free and fair election, the AP reported. The previous week, the high court ruled that the National Assembly had failed to name members of the elections commission on time, but legislators said the country's constitution reserves for the National Assembly the right to select elections commission members. The court added two members from outside Maduro's party to the elections commission in order to give it an appearance of balance, Luis Vicente León, president of

Caracas-based polling firm Datanalisis, told the wire service. However, the court's action did not result from any political negotiation that involved opposition leaders' participation, he added. "This will not generate any confidence that the opposition parties participated or lead to mass participation in an election," said León. "It only adds a brushstroke of opposition participation to a biased elections commission, amplifying the country's division without solving the problem." On Friday, Guaidó said the opposition will continue fighting. "We haven't given up our rights," Guaidó said in a tweet. "They've got the game locked up and they've already started hanging up their phones. Don't be fooled by their distractions." In related news, authorities in Cape Verde have detained a Colombian businessman who is reportedly a key financier of Maduro's government, The Wall Street Journal reported Saturday. Alex Saab Morán, who is wanted in the United States on money laundering charges, was arrested in the African island nation when his private jet stopped there for refueling. He was on his way to Iran, where U.S. officials believe he is helping Maduro's government to arrange deals to swap Venezuelan gold for Iranian oil products including gasoline, an unnamed person familiar with the case told The Wall Street Journal. Maduro's foreign minister, Jorge Arreaza, condemned the detention of Saab, whom he described as a Venezuelan government agent who should be given diplomatic immunity. He said Saab was on a business trip to secure food and medicine for Venezuela as it seeks to curb the spread of Covid-19. Saab's Miami-based attorney, Maria Dominguez, confirmed Saab's arrest to The Wall Street Journal but declined further comment.

## Brazil Has World's Second-Highest Covid-19 Death Toll

Brazil on Friday became the country with the second-highest death toll from Covid-19, surpassing Britain and behind only the United States, but the World Health Organization said the Latin American country's health system

## NEWS BRIEFS

## Chilean President Replaces Health Minister

Chilean President Sebastián Piñera on Saturday replaced Health Minister Jaime Mañalich amid controversy over the country's figures for deaths from the coronavirus pandemic, Reuters reported. Piñera praised Mañalich, saying he had spared "no effort" in carrying out a "difficult and noble duty." Piñera named Enrique Paris, an academic and medical doctor, as Mañalich's successor. Chile's official number of deaths from Covid-19 is more than 3,300, but investigative website Ciper reported Saturday that the health ministry told the WHO that as many as 5,000 deaths in the country were linked to Covid-19.

## Colombia's ELN Rebels Free Six More Hostages

Colombia's ELN rebel group has released six hostages, including two police officers and four civilians, officials said, BBC News reported today. The group had already freed two other civilians on Friday. The releases come after appeals from the rebels for peace talks to be restarted. The government of President Iván Duque halted negotiations last year following a bomb attack on a police academy in Bogotá that killed more than 20 people.

## Argentina Again Extends Deadline for Debt Talks

Argentina's government has again extended a deadline for international creditors to accept its debt restructuring offer, Bloomberg News reported Friday. The government pushed back the deadline by one week, to Friday of this week, the economy ministry said in a statement. Argentina defaulted last month, but investors have said they are not likely to pursue legal action, the news service reported. Argentina and the creditors are seeking to renegotiate \$65 billion in international bonds. The government has said it is unable to pay its debt obligations.

was withstanding the pressure, Reuters reported. As of today, Brazil has registered more than 867,000 confirmed cases of coronavirus, according to data from state governments, and 43,332 people have died from the disease, The New York Times reported. "The system as such from the data we see is not overwhelmed," said Dr. Mike Ryan, the WHO's top emergencies expert, adding that few areas in Brazil are using more than 80 percent of their hospitals' intensive care bed capacity. The country's most populated cities are clearly its coronavirus hot spots, Ryan said, but overall its health system is coping with the world's second-highest number of Covid-19 cases. São Paulo state has reported the most coronavirus infections, with 178,802 confirmed cases, equivalent to 393 cases per 100,000 people, and 10,694 deaths. Rio de Janeiro follows with 79,572 cases, or 465 per 100,000 people, and about 7,600 deaths. "The data we have at the moment supports [the vision of] a system under pressure, but a system still coping with the number of severe cases," Ryan said at a briefing in Geneva, Reuters reported.

## BUSINESS NEWS

### Pemex Reportedly Planning Cut in Private Drilling Rigs

Mexican state oil company Pemex has proposed a sharp cut of the number of privately owned drilling rigs used this year and next, Reuters reported Friday, citing an internal planning document, which also details 76 separate rig suspensions this year. The suspensions include 14 planned for Pemex's most productive field, Ku Maloob Zaap, which accounts for nearly half of the company's current oil output. The measures are similar to ones that other global producers are implementing as they seek to slash costs in the face of collapsing demand and the plunge in oil prices earlier this year. The plan would be a reversal of President Andrés Manuel López Obrador's repeated promises to boost, not cut, oil production. It

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chapters under discussion—good regulatory practices, trade facilitation and digital trade—would improve the business environment for U.S. investors in Brazil while reaffirming Brazil's commitment to implementing OECD standards in these areas. Inclusion of a robust digital trade chapter is particularly important to many U.S. companies, especially with the following points: 1.) requiring intermediary liability safeguards to ensure that Internet services can host content and communications from users without automatically becoming liable for that content; 2.) guaranteeing the free flow and storage of data across borders and prohibiting the localization of data and computing facilities in all sectors; 3.) reaching a multilateral solution to tax challenges arising from the digitalization of the economy and prohibiting discriminatory digital taxation measures that contravene international taxation principles; and 4.) allowing for modern uses of data, such as fair use and text, and data mining rules to enable digital analysis and use of information for artificial intelligence, machine learning and related purposes."

**A Rubens Barbosa, former ambassador of Brazil to the United States:** "A free-trade agreement between Brazil and the United States is not on the table. I like to say that a U.S.-Brazil FTA is not a serious proposition for 32 reasons: the first one is that the United States is not interested. Imagine the opposition of the U.S. agricultural states against an FTA to compete with Brazilian agricultural business. Restrictions by vested interests in the agricultural area and by environmentalists are difficult to overcome. In

would directly affect 10 private oilfield service companies that Pemex contracts with for use of their offshore and onshore rigs. It was unclear whether the proposal is actively being considered, but it is a possible route as Pemex plans to execute a 40 billion peso (\$1.8 billion) cut announced in April, which represents about

Brazil, opposition would come from political parties and the business community both in agribusiness and in the industrial sector for different reasons. Strong political opposition would emerge in both countries. And last but

**“A free-trade agreement between Brazil and the United States is not on the table.”**

— Rubens Barbosa

not least, Mercosur rules don't allow Brazil to negotiate unilaterally with the United States. The United States and Brazil are currently discussing an enhanced economic cooperation agreement, not a free-trade agreement. U.S. political opposition has appeared even in a partial agreement to advance trade facilitation and trade liberalization. I very much favor an expansion and diversification of trade cooperation between the two countries and hope the current exercise succeeds. But we don't need a free-trade agreement in order to achieve that."

**A John F. Maisto, member of the Advisor board, former senior director for the Western Hemisphere at the U.S. National Security Council and former U.S. ambassador to the Organization of American States:** "A U.S.-Brazil free-trade agreement and increased foreign direct investment have been objectives of both countries for decades. The economic basics provide the rationale. They are the two largest economies of the Americas; Brazil is the fifth-largest country

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15 percent of the company's investment budget this year. Pemex did not respond to Reuters' request for comment. Bloomberg News recently reported that Pemex over the past several weeks had suspended contracts with at least eight local and international oil service providers and suppliers in a bid to slash spending.

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and the ninth-largest economy in the world. Its trade relationship with the United States is robust; total U.S. exports to Brazil exceed those to Brazil's BRIC partners—Russia, India and South Africa—combined. Brazil's investment interests in manufacturing in the United States have increased significantly; 75 percent of Brazilian exports to the United States are manufactured products. The United States enjoys a trade surplus with Brazil. An FTA would be mutually beneficial and would be built as well on geopolitical realities—distance, people, educational, institutional and shared Western values. And though just a few months ago both presidents made public statements stating the FTA objective, there is much work ahead. Brazil still has a protected economy (tax and foreign exchange reform and the cost of doing business are issues), and prior trade facilitation talks to establish the foundation for a future broader agreement would be a U.S. requirement. Brazil would have to deal with Mercosur rules to negotiate with the United States. Also, the United States has congressional interests and demands; key Democrats have voiced opposition to an FTA based on Brazil's record on labor, human rights and the environment. Political will on both sides will determine if an FTA will go forward, and post-Covid realities will not make the tasks easier."

**A** **Jon E. Huenemann, member of the Advisor board and former corporate and government senior executive:** "Presidents Trump and Bolsonaro have both identified the achievement of a trade agreement and deeper economic relations as a strategic goal. More than ever, it is a sensible goal if done right. However, progress toward that goal has been halting for valid reasons, and now we are faced with particularly rancorous

politics in a tumultuous U.S. election year as most recently evidenced by a letter from the leadership of the U.S. House Ways and Means Committee. The cold long-standing reality is that, absent sufficient symmetry and the exercise of resolute leadership across all germane institutions in both nations, the vexing nature of this matter

**“Agriculture is still fraught with very deep-seated difficulties...”**

— Jon E. Huenemann

will continue, irrespective of unprecedented levels of support from societal actors. While concerns over human rights and the environment should be expected to continue, agriculture is still fraught with very deep-seated difficulties as are other long-standing trade, investment and tax concerns that need to be put in a better place. Make no mistake: it is essential that the Trump and Bolsonaro administrations pursue a systematic effort to build momentum via incremental progress on these and other relevant fronts. But there should be no illusions about the likelihood of achieving an implemented FTA without a symmetry of inspired active leaders at the top of necessary institutions of governance in both countries, which does not now exist. Moreover, the issue of Mercosur symmetry remains, as does the necessary preoccupation with Covid-19 and its ghastly implications. I wish I could see more encouraging signs in the near term, given that we have for the first time two sitting presidents who are interested."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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