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## FEATURED Q&A

# What Will End Brazil's Customs Workers' Strike?



Brazilian customs workers have been on strike since the end of last year. Customs workers are part of Brazil's Special Department of Federal Revenue, officers of which are pictured in the city of Manaus. // File Photo: Brazilian Government.

**Q** Brazil's customs workers have been on strike since the end of 2021, citing budget cuts that have slashed their payroll from 12,000 in 2009 to 7,000 last year, TV Globo reported last month. What do the customs workers want to come out of the labor action, and why hasn't the government of far-right President Jair Bolsonaro been able to reach an agreement with them? Which industries are most affected by the work slowdown, and how much could the strike crimp commerce and economic activity in South America's largest economy? What will it take to end the customs workers' strike, and when might that happen?

**A** Francisco X. Santeiro, executive director of the Conference of Latin American & Caribbean Express Companies (CLADEC): "In these economically challenging pandemic times, it is crucial that governments implement trade facilitation measures that support sustainable economic recovery. This includes ensuring better access for businesses to competitive production inputs from abroad and supporting their participation in global value chains and e-commerce. This can be particularly important for micro-, small and medium-sized enterprises. Regrettably, interested parties have not yet reached an agreement to address the situation that gave rise to the work slowdown by Brazil's customs officers, which has had a critical impact on foreign and local businesses and Brazilian citizens. The situation has worsened over the past months and has now become unsustainable. Express shipments are being delayed by seven days on imports and five days on exports, affecting the supply chain's competitiveness with

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## Bolsonaro Sacks Albuquerque as Brazil's Energy Minister

Brazilian President Jair Bolsonaro dismissed Bento Albuquerque as the country's energy minister, replacing him with Adolfo Sachsida, an economy ministry official.

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## Mastercard Launches New Inclusion Initiative in Central America

Mastercard launched a new financial inclusion program in Guatemala, El Salvador and Honduras in an effort to bring more people into the formal financial system.

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## Former Honduran Police Chief Appears in U.S. Federal Court

Juan Carlos Bonilla Valladares, a former head of Honduras' National Police, appeared in U.S. federal court on drug trafficking charges.

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Bonilla Valladares // File Photo: Honduran Government.

## POLITICAL NEWS

## Former Honduran Nat'l Police Chief Appears in U.S. Court

Juan Carlos Bonilla Valladares, a former Honduran National Police chief, appeared Wednesday in U.S. federal court in New York after he was extradited to the United States on drug trafficking charges, the Associated Press reported. After a 10-minute proceeding, Bonilla Valladares was detained without bail. His appearance came a day after former Honduran President Juan Orlando Hernández pleaded not guilty in New York to federal drug trafficking and weapons charges. Known as "El Tigre," or "The Tiger," Bonilla Valladares headed the Central American country's National Police in 2012 and 2013. He had that position before Hernández took office, but U.S. federal prosecutors labeled him a co-conspirator of the former president and his brother, Tony Hernández. "Former Honduran President Juan Orlando Hernández would not have risen to power and successfully benefited from massive drug proceeds had it not been for his expansive network of corrupt associates," Anne Milgram, the administrator of the U.S. Drug Enforcement Administration, said in a statement. "These associates, including Bonilla Valladares, likewise exploited their positions to traffic cocaine to the United States and violently protect other politically connected drug traffickers, all for their own personal gains," Milgram added. The extradition of Bonilla Valladares "demonstrates that no one is exempt by virtue of their title or position of authority—even foreign presidents and police chiefs—from criminal prosecution for contributing to the flood of illegal narcotics into this country that causes so much harm," Damian Williams, the U.S. attorney for the Southern District of New York, said in a statement. A lawyer who was appointed to represent Bonilla Valladares declined to comment to the Associated Press outside the courthouse. U.S. prosecutors first announced charges against Bonilla Valladares in April 2020. The former police chief is accused of accepting bribes in

exchange for directing police to allow shipments of cocaine to pass through checkpoints without being examined or seized, Reuters reported. The former police chief has denied the allegations.

## ECONOMIC NEWS

## Bolsonaro Dismisses Albuquerque as Energy Minister

Brazilian President Jair Bolsonaro dismissed the country's minister of energy and mines, Bento Albuquerque, just days after state-run oil firm Petrobras ignored the president's latest demand to freeze fuel prices, Bloomberg News reported Wednesday. Bolsonaro tapped Adolfo Sachsida, a high-ranking official in



Albuquerque // File Photo: Brazilian Government.

the economy ministry, as the new energy and mines minister. Albuquerque was sacked after he resisted political pressure from Bolsonaro to change the pricing policy at Petrobras or implement major fuel subsidies, Reuters reported Wednesday. Bolsonaro has been at odds with the state-run oil company over its insistence that gasoline and diesel prices be pegged to international benchmarks. In March, Bolsonaro ousted Petrobras' chief executive officer, Joaquim Silva e Luna, for ending fuel price controls, which had kept prices artificially low through subsidies. Fuel price policy has become a major political issue, and Bolsonaro sees it as key for bid for another term ahead of Brazil's presidential election in October. Last week, Bolsonaro urged Petrobras not to raise fuel prices, Reuters reported. He criticized the

## NEWS BRIEFS

## Bolivia's Arce Says He May Skip Summit of the Americas

Bolivian President Luis Arce said late Tuesday in a tweet that he may skip the Summit of the Americas, to be held next month in Los Angeles, if some countries in Latin America are uninvited. "A Summit of the Americas that excludes American countries will not be a full Summit of the Americas and, if the exclusion of sister countries persists, I will not participate," Arce wrote, the Associated Press reported. U.S. officials have suggested that Venezuela, Cuba and Nicaragua may be excluded from the summit. Mexican President Andrés Manuel López Obrador also said this week he may skip the summit for the same reason.

## St. Kitts Prime Minister Dissolves Parliament

St. Kitts and Nevis Prime Minister Timothy Harris on Tuesday dissolved the Caribbean island country's Parliament through an order to the royal governor-general and fired various top officials, including the deputy prime minister, the Associated Press reported. Harris had been facing a no-confidence motion and announced on Tuesday that he will be setting a date soon for new elections, adding that the decision was "not taken lightly." The country's next general election was to be held in June 2025.

## Costa Rica Declares State of Emergency Over Ransomware Attack

Costa Rican President Rodrigo Chaves' administration on Wednesday declared a state of emergency following the collapse of several government agency computer networks due to a ransomware attack, NBC News reported. While the hackers initially attacked the Finance Ministry in April, the attack spread to other government agencies. [Editor's note: See related [Q&A](#) in Tuesday's Advisor.]

company's soaring first-quarter profits at a time when Brazilians face rising prices at the pump, warning that further price hikes would provoke a "national convulsion." On Monday, Petrobras raised the price of diesel by 9 percent, saying the increase was in line with its policy of tracking global rates, the wire service reported. [Editor's note: See related [Q&A](#) in the April 22 edition of the weekly Energy Advisor.]

## BUSINESS NEWS

# Mastercard Launches Inclusion Initiative in Central America

Mastercard on Tuesday announced the launch of a financial inclusion program in El Salvador, Honduras and Guatemala, which has the objective of digitizing and providing credit card access to one million micro and small businesses, as well as financially including five million unbanked people in the three countries over the next five years, the company said in a statement. Mastercard has committed to investing \$100 million on financial inclusion efforts in northern Central America. The payments company is working with the Partnership for Central America Initiative, the coordinating body of U.S. Vice President Kamala Harris' Call to Action for the Private Sector to Deepen Investment in Central America, the White House said in December. Michael Froman, the vice chairman and president of Strategic Growth for Mastercard, said the payments technology company will have to work in collaboration with "fintechs, mobile service providers and banking partners to innovate and scale access to financial tools that reach the underserved." He added that the announcement "is another step forward in the journey toward a more prosperous northern Central America. On average, 60 percent of adults in Guatemala, Honduras and El Salvador lack a bank account, Mastercard said, citing the Global Partnership for Financial Inclusion. It added that of the people in those countries who do have a formal financial account, only one of four has a credit card.

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negative consequences on a wide range of sectors, from ICT, to cleaning and hygiene products that are essential to counter the pandemic. In addition, key strategic projects that seek to improve customs efficiency have been suspended. The express industry plays a key role in the supply chain. Our processes involve multiple elements that require careful and detailed planning as the management of flights, containers, shipments and storage capacity, for which legal certainty, efficient regulations and streamlined border processes are crucial. Even minor delays can lead to major problems; therefore, the slowdown has had a massive impact on operations and business plans."

**A Allison Fedirka, director of analysis at Geopolitical Futures:** "Brazil's customs workers want more money for operations and compensation. Their budget has been slashed, and promised bonuses have gone unpaid. When 12-month inflation registers at 12.3 percent and rising, it's reasonable for workers to seek additional funds. Bolsonaro's resistance to an agreement stems from two constraints. First, an agreement with customs workers will set a precedent for settling labor disputes with other federal workers on strike, such as central bank and social security workers. The government does not have the funds to fully meet demands of all groups, nor does it want to embolden strikers. Second, the customs workers are only one piece of the larger international trade problem facing the government. The global economy has been upended, and navigating international trade involves other factors, like China, energy prices, commodity prices, and freight availability and prices. Brazil remains focused on the big-picture trade problem. Notably, despite the strikes going on for all of 2022, import and export activity still occur. The strike has created financial losses due to delays (caused by various actors) but has failed to fully shut down trade. The most vulnerable groups include

small companies, those reliant on imported input materials, exporters, port workers and trade logistics. So long as trade continues at a decent pace and does not compromise critical imports, Bolsonaro has some breathing room. The government will face pressure to reach an agreement in the event the strike affects critical imports such as fertilizers and medical materials."

**A Troy Benavides, associate for Brazil and the Southern Cone at McLarty Associates:** "In December, President Bolsonaro included a controversial pay hike for federal police in the 2022 federal budget, initiating backlash among other public servants who have also been demanding salary adjustments for the past five years. One of the most vocal advocates for commensurate pay raises across the civil service was the Federal Revenue Service (RF). RF employees began protesting in December, resulting in significant delays in customs clearances at Brazilian borders and ports as of January. The RF employees' demands go beyond salary raises and include increasing staffing and introducing efficiency bonuses. Their mobilization sparked similar protests and strikes in other agencies, such as the central bank and Labor Ministry. The pay hike was also controversial, as many interpreted it as a political move by President Bolsonaro, who is seeking re-election in October, to shore up a key electoral base among the police force. Brazil's tight fiscal situation and constitutionally mandated fiscal spending cap make it impossible for Bolsonaro to raise pay uniformly among the federal work force, which led to the criticism that the raise for the police was politically motivated. When the Bolsonaro administration began discussing a 5 percent increase for all federal workers, the police—who were expecting a pay increase of up to 20 percent—organized protests across the country. Public servants across the board are dissatisfied with the attempted compromise given that projected

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inflation for 2022 is 7.5 percent, above the proposed hike. Electoral laws prohibit public salary adjustments above inflation within 180 days of an election, constraining Bolsonaro's ability to address the demands. Civil servants are now expecting salary increases of around 7-10 percent in line with inflation, but finding room in the federal budget for the increase will be difficult. Even giving increases to vocal groups such as RF employees would require substantial budget cuts, something the Bolsonaro administration would like to avoid in an election year."

**A** **Lucas Fernandes, political analysis and sustainability coordinator at BMJ Consultores Associados:** "Customs workers want salary increases and the regulation of efficiency benefits as they point to a large gap in purchasing power due to escalating inflation, as well as the replacement of budget cuts that the agency suffered, which represent a loss of 50 percent as compared to 2021. The labor action already represents a billion-dollar impact on public coffers with the loss of revenue, and it affects the entire production chain, increasing costs for all industries. This contributes to inflation and unemployment levels. Although he has said that the benefits regulation for customs

workers would have a small fiscal impact, President Jair Bolsonaro has struggled to advance in negotiations, as other professional categories are also pressuring his administration for raises. The limitations imposed by legislation, such as the prohibi-

“**The labor action already represents a billion-dollar impact on public coffers...**”

— Lucas Fernandes

tion of salary increases above inflation from six months before the election, are another complicating factor for the negotiations. Given this scenario, parallel with the more pragmatic demands, public employees are also using the strike as an instrument to prevent the main presidential candidates from committing themselves to the approval of an administrative reform that would revoke privileges for public servants, such as job stability and special retirement conditions. It is important to consider that the public sector is one of the main employers in Brazil; public servants hold great influence not only in the presidential election but also in races for state and legislative positions.”

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