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THEDIALOGUE

FEATURED Q&A

What Environmental Policies Will Lula Pursue in Brazil?

Brazilian President-elect Luiz Inácio Lula da Silva has vowed to halt deforestation in the Amazon. // File Photo: Pedro Devani/Brazilian Government.

Q Within hours of winning Brazil's presidential election on Oct. 30, Luiz Inácio Lula da Silva vowed to halt deforestation in the Amazon and restore Brazil as a global leader on fighting climate change. By contrast, incumbent President Jair Bolsonaro's development policies led to a sharp increase in Amazon deforestation and the gutting of agencies that seek to protect the environment and the rights and lands of Indigenous groups. Will Lula follow through on his pledge to end deforestation in the Amazon? What kind of environmental policies can we expect? How will the relation between the government and Indigenous communities evolve?

A Raul Valle, public policy specialist at World Wildlife Fund-Brazil: "We believe that Lula will do his best to fulfill his commitment to end deforestation in the Amazon, as he knows that this is important not only for the country's climate future but also for repositioning Brazil in the international arena and allowing him to close good agreements in strategic areas. However, it will not be an easy task, as Bolsonaro was very effective in dismantling the environmental control bodies, and over the last four years the economic groups benefiting from illegal deforestation have strengthened. Enforcing the law in the region, therefore, will have a high political and social cost; that's why this action must be accompanied by policies of inclusion in legal and sustainable economic chains. The federal government will not be able to do this all by itself–it is imperative that the private sector assume its responsibility on this matter by cutting emissions, cleaning its energy and providing a zero-deforestation chain. Lula will face a big challenge:

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Former Mexican Attorney General Accused Fraud

Mexico's Financial Intelligence Unit on Tuesday formally referred former Attorney General Jesús Murillo Karam to prosecutors for money laundering, influence peddling and tax fraud.

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ECONOMIC

Haitian Cholera Prompts New Funding Appeal

The United Nations is seeking $146 million to help fight cholera in the nation, where at least half a million people are at risk of contracting the disease.

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ECONOMIC

Brazil Will Fight Inflation: Central Bank Chief

Brazil's level of inflation is showing "incipient" signs of improvement, but the country must "persist" in its effort to curb rising prices, central bank chief Roberto Campos Neto said Tuesday. Consumer prices rose 6.5 percent over the past 12 months.

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Campos Neto // File Photo: @the_IDB via Twitter.

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POLITICAL NEWS

Former Mexican Attorney General Accused Fraud

Mexico's Financial Intelligence Unit on Tuesday formally referred former Attorney General Jesús Murillo Karam to federal prosecutors for money laundering, influence peddling and tax fraud, local daily newspaper Reforma reported. Murillo Karam, who has been jailed since August on charges of abuses he committed during an investigation into the disappearance of 43 students in 2014, now stands accused of not declaring more than a million dollars in income. According to the charges, an investigation showed that Murillo Karam's children, nephew and son-in-law were involved in a private company that got contracts from the government's Communications and Transport Department, according to the Associated Press. Murillo Karam's arrest has been unprecedented in Mexico's modern history, where former high-level government officials have typically benefited from impunity. [Editor's note: See related **Q&A** in the Sept. 6 issue of the Advisor.]

ECONOMIC NEWS

Brazil Must 'Persist' in Fighting Inflation: Central Bank Chief

Brazil's level of inflation is showing "incipient" signs of improvement, but the country must "persist" in its effort to curb rising prices, central bank chief Roberto Campos Neto said Tuesday at a business conference in New York, Reuters reported. "Although much of the recent improvement in inflation is due to government measures, there are incipient indicators that show a qualitative improvement," said Campos Neto, adding that it was too early to celebrate the improvement. "We need to persist in fighting inflation, we need to persist in reaching our targets because this is the best way to contribute to sustainable growth," he added. Consumer prices in Latin America's largest economy rose 6.5 percent in the 12-month period through October. That level was down from a peak of 12 percent in April, Reuters reported. Maintaining fiscal stability is also important for social inclusion among Brazilians, Capos Neto added. "Fiscal discipline is directly related to the country's credibility, and there is a turning point where trying harder for the most needy can generate results contrary to what is desired, putting financial stability and job creation at risk," he said. Investors have raised concerns about the spending plans of President-elect Luiz Inácio Lula da Silva, who takes office on Jan. 1. Inflation has dropped "earlier and faster in Brazil than in many other Latin American countries," Gabrielle Trebat, managing director for Brazil and the Southern Cone at McLarty Associates, told the Advisor in a **Q&A** published Sept. 15. "The central bank's aggressive response to inflation earlier this year allows it to keep rates stable now and potentially decrease them as inflation continues into the fall of next year," said Trebat.

Haiti Cholera Spread Prompts $146 Million Funding Appeal

Haiti's ministry of health on Tuesday warned the public that cholera cases are overwhelming health facilities, the Associated Press reported. "We need more resources," he said. "Cholera cases continue to climb in Haiti," said Jeanty Fils, a spokesman for Haiti's Ministry of Health. At least 175 people have died and more than 7,600 have been hospitalized, the Pan American Health Organization said Tuesday. The number of suspected cases had jumped by 33 percent since last week. The United Nations is seeking $146 million to help fight cholera in the nation, where at least half a million people are at risk of contracting the disease, according to PAHO. "The surge in cases in recent weeks and the rapid spread of cholera in the country is worrying," said Ulrika Richardson, the United

NEWS BRIEFS

Peru's Fujimori Sentenced to 4.5 Years in Prison for Influence Peddling

Former Peruvian congressman Kenji Fujimori was sentenced Tuesday to four and a half years in prison for influence trafficking, El Comercio reported. Fujimori, who is also the brother of opposition leader Keiko Fujimori and the son of ex-President Alberto Fujimori, was found guilty of a plot to buy votes in Congress in 2018 to avoid the removal of then-President Pedro Pablo Kuczynski. He denies wrongdoing and remains free pending appeal, although he is disqualified for 18 months from holding any public office.

Workers at the Escondida Mine in Chile Plan Work Stoppage for Next Week

Workers at Chile's Escondida copper mine, the world's largest, said Tuesday they would go on strike next week over labor demands, Reuters reported. Australia-based BHP, which owns the mine along with Rio Tinto and Japan's JECO Corp., said the strike was unwarranted. "Escondida is fully complying with legal regulations and the current collective agreement," BHP said in a statement sent Tuesday night to Reuters. The mine accounts for several percentage points of Chile's gross domestic product.

China's Alibaba Opens Logistics Hub in Brazil

China-based retailer Alibaba said this week that its logistics arm, Cainiao, has opened its Latin American headquarters in São Paulo, CNBC reported Tuesday. Cainiao ships most orders on the platform from China to Brazil, according to the report, although Cainiao said its expansion will also help Brazilian businesses sell goods such as coffee and nuts abroad as well. Alibaba has been operating eight charter flights per week between the countries, according to the report.

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Nations' Resident and Humanitarian Coordinator for Haiti, in a statement Tuesday. The United Nations' latest food security analysis for Haiti shows that 4.7 million people, nearly half the population, are experiencing high levels of food insecurity, with 19,200 people living in an official disaster situation, which is "the first time this has happened in recent history," according to the United Nations. Gangs controlling roads and fuel supplies have deprived citizens of access to basic services for months. Last week, organized criminals began allowing fuel supplies back into urban centers, however, which ironically could initially worsen the chances for diseases to spread, according to health officials.

BUSINESS NEWS

Arcos Dorados Sees Sales Grow 34% in Third Quarter

Arcos Dorados, Latin America's largest restaurant chain and the world's largest independent McDonald's franchisee, said today that sales grew 34 percent in the third quarter as compared to the prior-year's quarter. The figure is twice the period's blended inflation rate for the region, driven by higher guest traffic and market share gains, the company said. Consolidated revenue totaled $916 million, rising 26.7 percent in U.S. dollars and 38.9 percent on a constant currency basis. Digital channels contributed 42 percent of sales, totaling nearly $500 million in the quarter. Net income rose to nearly $47 million in the quarter, up from $24 million last year. "The McDonald's brand is as strong as it has ever been in Latin America and the Caribbean," said CEO Marcelo Rabach in a statement. The financial figures exclude Venezuela, where Arcos Dorados' consolidated results "may continue to be impacted by Venezuela's macroeconomic volatility, including the ongoing hyper-inflationary environment, which has historically led the company to record significant non-cash accounting charges to operations," Rabach said.

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in his first year, he will inherit a budget prepared by Bolsonaro, in which there is very little room to finance environmental policies. Therefore, Brazil will need strong international financial support to advance this agenda. After four years of open confrontation, it is certain that the relationship between Indigenous peoples and the Brazilian government will improve a lot. Lula has already announced that he will create a ministry to take care of the matter (the Ministry of Native Peoples) whose main mission will be to find funding and implement policies that give financial sustainability to the environmental management of Indigenous territories. This new ministry demonstrates a level of priority that has never been seen before in the defense of the Indigenous peoples' rights."

José Goldemberg, former Brazilian environment minister and professor emeritus at the University of São Paulo: "The environmental policies we expect in the new government have been outlined by Marina Silva, former environment minister under Lula's previous government, who likely will be appointed environment minister again. Silva's policies led to a dramatic reduction of deforestation between 2002 and 2012. The key to success was a strong presence of the various government agents in the Amazon and enforcement of existing regulations to eliminate illegal deforestation. That included the protection of national parks and Indian reservations. The Bolsonaro government weakened IBAMA considerably and was very lenient with illegal deforestation and mining on Indigenous lands, arguing that actions such as 'cutting the forest, selling the wood, using the land for cattle ranching and soya plantations' were indispensable to guarantee the survival of the local population. As a result, the rate of deforestation increased considerably after 2012. In his first speech after being elected, Lula promised to end deforestation by 2030 or before, and he seems committed to policies to strengthen IBAMA, which has legal power to fine and punish illegal deforestation and protect Indigenous populations and national parks. Lula also seems committed to stimulating extractive activities in the Amazon with açaí, cacao, nuts and others including fishing activities

> **"Marina Silva's policies led to a dramatic reduction of deforestation between 2002 and 2012."**
>
> **— José Goldemberg**

to support the local population. Finally, Lula appears committed to protecting the forest by mechanisms such as the United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation (REDD) and payment for environmental services. This will require additional resources from international donors."

Eduardo Viola, senior fellow at the Institute of Advanced Studies, University of São Paulo and professor of international relations at Getúlio Vargas Foundation and the University of Brasília: "Lula's victory was the product of a wide democratic coalition involving left, center-left, center and the center-right. That coalition overcame the strength of the Bolsonaro-led alliance between the right and the extreme right. Moreover, the support of international democratic forces, including the immediate recognition of Lula's victory by the U.S. and European governments, was very important. Lula's presidency will represent a dramatic shift in climate and Amazon policy due to three main three main reasons. First, former Environment Minister Marina Silva, who was elected to Congress on Oct. 2 agreed in early September to support Lula because he accepted her socio-environmental platform. That platform is much more ambitious than

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the one that the Workers' Party previously formulated. Second, Lula's previous government had dramatic success in controlling deforestation in the Amazon and the Cerrado, reducing deforestation in both by more than 70 percent. Finally, in the 2009 Copenhagen Conference, Brazil was the only major developing economy that committed to reducing carbon emissions. In turn, the environmental policy of Lula's government will probably have the following pillars: 1.) a dramatic reduction of deforestation in the Amazon; 2.) a significant increase in ambition of the Brazilian National Determined Contribution; 3.) a fight against illicit activities in the Amazon, such as land grabbing, illegal gold mining and logging, smuggling, and illegal fishing and hunting, though this process will not be fast; 4.) improved coordination among Amazon countries for forest and biodiversity protection and promotion of bioeconomy; 5.) creation of a regulated national carbon market that will allow the existence of a system of payments for environmental services allocated to the people guardians of the forest; 6.) creation of a National Authority for Climate with power to coordinate all the ministries, following the model from some developed countries; 7.) protection of Indigenous territories (which make up 30 percent of the Amazon territory) and rights, as well as the creation of a ministry of first peoples; and 8.) better enforcement of environmental legislation around the country. In general terms the evolution of environmental policy will depend on the state of the economy and the government's approval rating."

> **"Lula's presidency will represent a dramatic shift in climate and Amazon policy..."**
>
> **— Eduardo Viola**

Emine Isciel, head of climate and environment at Storebrand Asset Management: "We welcome Lula's pledge to reduce deforestation in the Amazon rain forest to zero, defend Indigenous rights and take a leading role in responding to the climate crisis. Lula inherited one of the highest Amazon deforestation rates on record when he took office as president in 2003. By the end of his second term, in 2010, the rate of deforestation had dropped significantly. We expect he will soon specify his plans to both protect the forest and its defenders as soon as he takes office. Via the Investor Policy Dialogue on Deforestation (IPDD), we have laid out our expectations we want to see, such as enforcement of Brazil's Forest Code, reinforcement Brazil's agencies tasked with implementing environmental and human rights legislation, and the avoidance of any legislative developments that may negatively affect forest protection, prevention fires in or near forest areas to avoid those as seen in 2019 and 2020; and to allow public access to data on deforestation, forest cover, tenure and traceability of commodity supply chains."

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

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