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FEATURED Q&A

What Factors Are Driving Up Lula's Popularity in Brazil?

Brazilian President Luiz Inácio Lula da Silva last week saw a rise in his approval rating. // File Photo: Brazilian Government.

Q Brazilian President Luiz Inácio Lula da Silva's approval rating has risen to 43 percent, as compared to 40 percent in May, according to a national survey released on July 16 by pollster Quaest. The increase came after U.S. President Donald Trump announced plans to impose 50 percent tariffs on Brazilian imports starting Aug. 1, citing former Brazilian President Jair Bolsonaro's ongoing trial for his alleged involvement in a plot to overturn the results of Brazil's 2022 presidential election. What does Lula's rising approval rating mean for Brazilian politics in the context of next year's general elections? To what extent do U.S. tariffs pose a threat to Brazil's economy? What is the state of U.S.-Brazil diplomatic relations under Trump and Lula?

A Marina Pera, analyst at Control Risks: "Even though Trump justified the tariffs by claiming that Lula and the Supreme Court are undertaking a 'witch hunt' against former President Jair Bolsonaro, there might be other grievances driving the threats. Brazil was not (at least not publicly) on Trump's radar until the BRICS summit opened in Rio de Janeiro on July 6. On this occasion, Lula criticized U.S. protectionism and advocated the use of local currencies (instead of the U.S. dollar) for trade between BRICS members. The Trump administration, therefore, perceived Lula as using the BRICS as a platform to promote broader realignment with the Global South. Moreover, Lula has been deepening economic ties with China over the past few months. In May, for example, Lula and Chinese President Xi Jinping signed more than 30 agreements enabling Chinese investment in mining, transport in-

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TODAY'S NEWS

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Mexico Seeking to Raise Up to $10 Billion in Debt for Pemex

Mexico's government is planning to raise between $7 billion and $10 billion in a debt sale to help state oil company Pemex meet its liabilities.

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Argentine Banks Facing Liquidity Strain: Report

Argentine banks are reportedly facing a liquidity crunch amid government efforts to stabilize the country's currency.

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Brazilian Justice Threatens Bolsonaro With Imprisonment

Brazilian Supreme Court Justice Alexandre de Moraes threated former President Jair Bolsonaro with imprisonment over a social media post in which he appeared. Bolsonaro is on trial over charges of involvement in an alleged coup.

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De Moraes // File Photo: Tribunal Superior Eleitoral.

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POLITICAL NEWS

Brazilian Justice Threatens Bolsonaro With Imprisonment

Brazilian Supreme Court Justice Alexandre de Moraes has threatened former President Jair Bolsonaro, who is on trial on charges of involvement in an alleged coup plot, with "immediate imprisonment" over a social media post in which he appeared, BBC News reported Tuesday. De Moraes said Bolsonaro's lawyers must explain why the former president appeared in a video shared over social media on Monday by his son Eduardo. De Moraes accused Bolsonaro of violating a ban that prohibits him from appearing in videos, audio recordings and interviews appearing on social media, BBC News reported. Bolsonaro stands charged with involvement in an alleged plot to prevent his successor, current President Luiz Inácio Lula da SIlva, from taking office following Bolsonaro's loss to Lula in the country's 2022 election. Bolsonaro denies wrongdoing and has called the charges politically motivated. Last Friday, Brazil's Supreme Court ordered Bolsonaro to wear a monitoring device on his ankle, remain at home for most of the day and stay away from foreign embassies, saying he was a flight risk. Bolsonaro's legal team has said it was "surprised and outraged" by the new measures, saying the former president "has always complied with all the orders of the judiciary," The New York Times reported. De Moraes said he ordered the restrictions on the recommendation of Brazil's attorney general and federal police following lobbying in Washington by Eduardo Bolsonaro, who has been trying to get the administration of U.S. President Donald Trump to intervene in his father's case. Trump, an ideological ally of Bolsonaro, earlier this month threated to impose tariffs of 50 percent on imports from Brazil beginning Aug. 1, citing Brazil's prosecution of the former president, which Trump called a "witch hunt." Lula responded by saying he will not capitulate to Trump, adding that Trump was never elected "emperor of the world," CNN reported.

ECONOMIC NEWS

Argentine Banks Reportedly Facing Liquidity Crunch

Banks in Argentina are facing strains in liquidity amid government efforts to stabilize the peso by absorbing cash, Bloomberg News reported Tuesday. The one-day repo rate surged to 65 percent on Tuesday, its highest level in more than a year after briefly hitting triple digits on July 18, the news service reported. The yield on short-term Treasury debt notes known as Lecaps hit 59.5 percent, its highest level since last October, Bloomberg News reported. "The Treasury left very few pesos in the market, and several banks—especially smaller ones—ran out of liquidity and had to scramble for cash, offering higher rates on interest-bearing accounts, selling Lecaps or borrowing via repos and bank calls at steep rates," Emiliano Merenda, CEO of local broker Pharos Capital, told Bloomberg News. The government has implemented mechanisms to stabilize the peso amid a seasonal drop in exports and rising concerns from investors ahead of the country's congressional elections in October. Monetary authorities in Argentina have been selling Lecaps and boosting money market funds' requirements, the news service reported. "Liquidity dried up, and right now there's no lender of last resort," Belisario Álvarez de Toledo, head trader and partner at True Grit Capital in Buenos Aires, told Bloomberg News. "No one is stepping in to provide liquidity," he added. Since taking office in December 2023, President Javier Milei has sought to bring down Argentina's high inflation rates through measures including austerity policies. Argentina's month-to-month rate of

> **"The Treasury left very few pesos in the market..."**
>
> **— Emiliano Merenda**

NEWS BRIEFS

Puerto Rico Sues Luma Following Widespread Power Outages

Puerto Rico's government on Tuesday sued Luma, the private firm that manages the island's electrical transmission infrastructure, over alleged negligence in failing to prevent a recent string of widespread power outages, the Associated Press reported. Puerto Rico has suffered island-wide power blackouts at least twice in the past year, including on New Year's Eve and during Easter week in April. Governor Jenniffer González-Colón said in May that she was considering canceling Luma's contract, the AP reported.

Verifone, PagBrasil Launching Platform to Allow Use of Pix in U.S.

Payment processing firm Verifone has partnered with Porto Alegre-based fintech PagBrasil to launch a new platform allowing Brazilians to make instantaneous purchases with reais while in the United States, the companies announced in a statement on Tuesday. The new system will allow Brazilians to make payments at retailers in the United States through Pix, the fast-growing instant-payments system managed by Brazil's central bank.

Norton Rose Fulbright Represents Santander in Loan to Chile's Codelco

Global law firm Norton Rose Fulbright announced Tuesday that it has represented Banco Santander in connection with a $500 million loan that the Spanish bank, along with Commerzbank and ING Bank, extended to Chilean state-owned copper miner Codelco. The financing is guaranteed by SACE, a insurance and finance group that is controlled by Italy's Ministry of Economy and Finance, Norton Rose Fulbright said in a statement.

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inflation ticked up slightly in June, with prices rising 1.6 percent as compared to July, Reuters reported July 14. In June, monthly inflation slowed to 1.5 percent in May as compared to April, the lowest monthly increase in more than five years. [Editor's note: See related **Q&A** in the July 3 issue of the Advisor.]

BUSINESS NEWS

Mexico Seeking to Raise up to $10 Bn in Debt Sale for Pemex

Mexico's government plans to raise between $7 billion and $10 billion in a debt sale in order to help address state-run oil firm Pemex's mounting liabilities, Bloomberg News reported Tuesday, citing sources familiar with the matter. Mexico's finance ministry later on Tuesday confirmed in a statement on social media site X that it soon plans to sell debt "to strengthen Pemex's position" through pre-capitalized securities; the ministry did not disclose the amount of capital it is seeking to raise. Pre-capitalized securities are common in asset-backed finance. The instrument will allow Mexico's government to keep the debt generated in the upcoming bond sale separate from Pemex's existing debts, Bloomberg News reported. The state oil firm has total outstanding debt of approximately $121 billion owed to creditors, making it the most heavily indebted oil energy company in the world, according to Reuters. "Mexico's government reaffirms its commitment to prudent management of public finances and the strengthening of public enterprises," the finance ministry said on Tuesday. Pemex's fiscal balances have been pressured lately by factors including declining national oil production—which this year is set to be the lowest level since 1979, according to national energy secretariat data—as well as delays in ramping up capacity at new fuel refineries. Amid these hardships, the company did not follow through on a pledge to repay $20 billion in debt to various oilfield suppliers by March, Bloomberg News reported.

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frastructure, ports and artificial intelligence industries. Given that economic integration between Brazil and the United States is low and that the countries have limited security cooperation, Lula has more room to defy Trump. Also, the Supreme Court is an independent branch of government, and Lula cannot interfere in the Bolsonaro trial, reducing negotiation prospects on that front. This ultimately empowers Lula ahead of the 2026 presidential election, as it gives him a fresh political narrative. The U.S.-Brazil tensions will not be decisive for the election, but they can give the Brazilian president an opportunity to assert strength and improve his standing in the polls."

A Karina Stange Calandrin, post-doctoral fellow at the Institute of International Relations of the University of São Paulo and professor of international relations at the University of Sorocaba and Ibmec-SP: "The rise in President Lula's approval rating reflects a momentary convergence between domestic issues and international events. President Trump's announcement of U.S. tariffs, formulated in explicitly political terms and linked to Bolsonaro's trial, was perceived by many Brazilians not as a criticism of Brazil, but rather as an external threat to national interests. Lula's firm response allowed him to assume a statesmanlike posture, mobilizing support beyond his base and reaffirming his international credentials. In this sense, the increase in approval is less linked to concrete changes in domestic policy and more to Lula's symbolic role as Brazil's global defender. Thinking ahead to the 2026 elections, this dynamic suggests that Lula and his allies could benefit from framing external tensions within a broader narrative of national sovereignty and dignity, especially if Trump's rhetoric intensifies. However, maintaining this growth in popularity will depend on Lula's ability to turn symbolic victories into concrete economic results. As for the tariffs, they represent a serious, though not catastrophic, threat to the Brazilian economy. The sectors affected, especially steel and aluminum, are regionally concentrated and politically sensitive. Retaliatory measures or the diversification of trade partners can mitigate the effects, but the diplomatic cost is high. Ideological differences and conflicting worldviews mark the diplomatic relations between the United States and Brazil under Lula and Trump. While Lula advocates multipolar engagement and institutional diplomacy, Trump adopts unilateralism and a transactional foreign policy. This creates a relationship marked more by friction than cooperation, and which could further destabilize hemispheric ties if not carefully managed."

A Peter Sufrin, independent Washington-based analyst: "Trump's 50 percent tariffs may very well signify a paradigm shift in what has been a fruitful diplomatic relationship between Brazil and the United States for decades. According to a recent Brazilian Report account from July 17, Vice President Geraldo Alckmin, Foreign Minister Mauro Vieira, and Brazilian lower house and Senate leaders did not mince words, condemning the acts as nothing less than outright 'American aggression.' Curiously, U.S.-Brazil tensions have provided Lula with a much-needed shot in the arm. As events unfold on a daily and weekly basis, predicting the impact on next year's general election remains dicey, but in a recent Brazilian-American Chamber of Commerce webinar, Christopher Garman of the Eurasia Group foresees a fissure on Brazil's political right if Bolsonaro's aim for an amnesty law conflicts with São Paulo Governor Freitas' interests in his home state's industrial constituency, thereby strengthening Lula's candidacy. Certainly, the draconian tariff measures have served to both antagonize and unite Brazil's government and populace. What remains to be seen is the fate of a solid U.S.-Brazil relationship that has

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endured for decades, on collaboration in trade, infrastructure, aviation and energy, to name a few. There may also be a significant Brazilian pivot to China. This dichotomy between upper echelon power politics and fundamental economic relations reveals a basic challenge for Brazil and the United States: the substance of diplomatic work. The hope, then, is the maintenance of comity, the perpetuation of a well-rooted political and economic relationship that has existed since the United States recognized Brazil in 1824."

Jacqueline Pitanguy, executive director of Citizenship, Study, Research, Information and Action (CEPIA) in Brazil and a member of the Inter-American Dialogue: "The rise of Lula's approval has, as an immediate cause, the 50 percent tariffs on Brazil's exports to the United States. But, as background, 86 percent of Brazil's population disapproves of the Jan. 8, 2023 attack on Brasília, according to a Genial/Quaest survey last January. This attack by a multitude of Bolsonaro's followers on Congress, the presidential palace and the Supreme Court was the culmination of an alleged coup d'état for which Bolsonaro and many of his allies are now on trial. Lula's rise in popularity comes as Brazil grapples with the fallout from the move by Trump, who explicitly cited Bolsonaro's ongoing trial for his alleged involvement in a plot to undermine democracy. Lula's rising popularity is anchored on rejection of the attempted coup, plus the defense of the country's sovereignty against external pressure. The tariffs and their explicit relationship to Bolsonaro's trial appear to have rallied public support behind Lula. This could reinvigorate his re-election bid, positioning him as a unifying figure amid perceived foreign aggression. It is a unique case of tariffs applied to a political issue, and they pose a tangible threat to the Brazilian economy. With the United States as a major trading partner, particularly in agriculture, steel and some manufacturing sectors, depending on their ability to reach other markets, a 50 percent tariff could severely affect export revenues and potentially stifle economic growth. While Brazil has vowed to retaliate using its Reciprocity Law, the priority is to negotiate and eventually appeal to the WTO. The immediate disruption to supply chains and market uncertainty is a cause for concern. Diplomatic relations between Trump and Lula are, predictably, fraught. Trump's direct intervention in Brazil's internal judicial affairs has been met with strong condemnation from Lula, from the legislative branch and from the population at large. Lula has rejected what he has called 'unacceptable blackmail' and has defended Brazil's independent judiciary. While Lula has expressed willingness to engage in dialogue, the current climate is one of tension and firm resolve from Brazil to defend its sovereignty."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

Upcoming Event

ONLINE EVENT: China's Global Security Initiative in Latin America

July 29, 2025 | 9:00 a.m. ET

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