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FEATURED Q&A

Will Closer U.S.-Brazil Ties Bring Lasting Benefits?



Brazilian Foreign Minister Ernesto Araújo and his U.S. counterpart, Mike Pompeo, (L-R) agreed earlier this month to bolster the countries' relationship. // Photo: U.S. State Department.

Q Brazilian Foreign Minister Ernesto Araújo and U.S. Secretary of State Mike Pompeo met Sept. 13 in Washington and agreed to strengthen ties by boosting binational trade, creating a new investment fund to protect biodiversity in the Amazon rain forest and promoting private-sector development in the Amazon. How much will stronger ties in the areas identified benefit both countries? To what extent will the partnership protect the Amazon? How much has Brazil's relationship with Europe frayed over the Amazon fires issue, and what does that relationship mean for ties with the United States?

A Rubens Barbosa, former ambassador of Brazil to the United States: "It is much hoped that the personal relationship between Trump and Bolsonaro represents common interests between the two countries and that those interests can be kept when one or both of them leave the political scene. The expansion and diversification of bilateral trade are in the interests of the Brazilian and U.S. private sectors. The creation of a new investment fund to protect biodiversity in the Amazon rain forest will complement other funds already in existence and will add to the limited resources available in Brazil to the surveillance and the protection of the Amazon. President Bolsonaro said in his U.N. General Assembly speech that any foreign support must take into account Brazilian sovereignty. The current status of the Brazilian relationship with Europe has been affected by ideological rhetoric from all sides. However, when a nonideological approach to

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TODAY'S NEWS

POLITICAL

Brazil High Court Ruling May Overturn Graft Convictions

Brazil's Supreme Court issued a ruling that could overturn several convictions connected to the sprawling Car Wash corruption case.

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POLITICAL

Peru Lawmakers Shelve Vizcarra's Proposal for Early Elections

Opposition legislators shelved President Martín Vizcarra's call to move up the country's general elections to next year. Peru's currency fell amid concerns over new political upheaval.

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BUSINESS

Delta Buying 20% of Latam Airlines

Delta Air Lines announced that it is buying a 20 percent stake in Chile-based Latam Airlines. Delta CEO Ed Bastian said the deal "largely completes the map" for the Atlanta-headquartered airline.

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Bastian // File Photo: Delta Air Lines.

POLITICAL NEWS

Brazil High Court Ruling May Quash Graft Convictions

Brazil's Supreme Court late on Thursday approved a ruling that could overturn several corruption convictions stemming from the massive Car Wash corruption investigation, Reuters reported. The justices ruled that defendants mentioned in plea agreements by



Lula // File Photo: Brazilian Government.

witnesses also accused of corruption should be able to defend themselves in court. The ruling followed a move last month by the Supreme Court to overturn the conviction of former Petrobras CEO Aldemir Bendine, whose lawyers based their case on a similar argument. If the ruling is applied to other convictions, about 32 sentences involving 143 of the 162 people found guilty in the Car Wash case could be overturned. Among them is one

of the two convictions of former President Luiz Inácio Lula da Silva, BBC News reported. Lula, who has been jailed since April 2018, was sentenced to 25 years in prison. The Supreme Court's ruling could send Lula's case back to a pre-sentencing phase. Lula, who was president from 2003 to 2010, has consistently denied wrongdoing. On Tuesday, the Supreme Court is expected to begin debating whether the ruling can be applied to cases of people who have already been convicted or if it should be limited to future cases. [Editor's note: See related [Q&A](#) in the Sept. 13 issue of the Advisor.]

BUSINESS NEWS

Delta Buying 20 Percent Stake in Latam Airlines

Delta Air Lines plans to buy a 20 percent stake in Latam Airlines Group, South America's largest carrier, Delta announced Thursday. In announcing the deal, Delta won out over American Airlines Group, which had also sought to work with the Chile-based airline, The Wall Street Journal reported. Delta, headquartered in Atlanta, said it would pay \$1.9 billion in cash and newly issued debt, which amounts to Delta's biggest investment since merging with Northwest Airlines more than 10 years ago, according to the report. "This is the biggest

NEWS BRIEFS

Peru's Congress Shelves Vizcarra's Proposal for Early Elections

Opposition lawmakers in Peru's Congress on Thursday shelved President Martín Vizcarra's proposal to move up the country's general elections to next year, driving a sharp drop in the country's currency and paving the way for new political upheaval, Reuters reported. Vizcarra had been pushing to hold elections one year earlier than scheduled in a bid to end an impasse with the opposition-dominated Congress over his anti-graft reforms. Vizcarra could now summon a vote of confidence over the issue. [Editor's note: See related [Q&A](#) in the Aug. 19 issue of the Advisor.]

Authorities Raid Homes of Banco do Brasil Directors in Laundering Probe

Brazilian authorities today searched the homes of directors at Banco do Brasil who are suspected of taking part in a money laundering scheme, police said, Reuters reported. Police are investigating allegations that directors at the state-controlled bank laundered more than 200 million reais (\$48 million) between 2011 and 2014. It is the latest development in Brazil's massive Car Wash corruption investigation.

Mexican Central Bank Cautiously Cuts Key Rate by Quarter Point

Mexico's central bank on Thursday lowered its benchmark interest rate by a quarter percentage point, a more cautious rate cut than some analysts had expected, the Financial Times reported. The Bank of Mexico's decision was not unanimous, with two of the five board members favoring a half-point rate cut. Earlier on Thursday, state statistics agency Inegi said economic activity fell 0.14 percent in July as compared to June.

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this issue is in place, based on objective and transparent information, perhaps the perception over the deforestation and fires in the Amazon will gradually change because Brazil so far is complying with nearly all of its international commitments. In terms of trade, the agreement between Mercosur and the European Union will give preference to European products in relation to U.S. goods if measures of trade facilitation and simplification are not negotiated between Brasília and Washington."

A **Monica de Bolle, director of the Latin American Studies program at the Johns Hopkins University School of Advanced**

International Studies: "It is unclear how announcements recently made by U.S. Secretary of State Mike Pompeo, Brazilian Foreign Minister Ernesto Araújo and Brazilian Environment Minister Ricardo Salles will benefit both countries. The idea of a new investment fund for the Amazon will likely face issues that have plagued the region

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region of the world that we had an open space," Delta's chief executive, Ed Bastian, told the newspaper in an interview. "This largely completes the map." The surprise deal ends American Airlines' ties with Latam through the Oneworld Alliance, though American said the loss of its Chile-based partner would not significantly affect its financial results, Reuters reported. American also said that its Latam partnership had some disadvantages after the Chilean Supreme Court struck down the two carriers' plans to cooperate with British Airways and Iberia on extended routes. "This is a body blow for American, but not a lethal body blow," independent aviation analyst Mike Boyd told Reuters. "It means Delta will have more access to Latin America than it did before, but American already has much of that in its back pocket," he said.

Guyana Rejects Republic's Buy of Scotiabank Unit

Guyana's central bank has rejected the sale of Scotiabank's local unit to Trinidad-based Republic Financial Holding, the Trinidad and Tobago Guardian reported Wednesday. In an interview, Guyanese Finance Minister Winston Jordan said the country's government was apprised of the central bank's rejection of the acquisition, adding that the central bank "having done their examination and taking all the circumstances into consideration ... could not approve the application." Jordan added that the president's cabinet agreed with the central bank's decision amid concerns with concentration in the country's banking sector, issues related to anti-money laundering and combating the financing of terrorism and a lack of supervisory capacity. "So when you take all of that into consideration, we did not feel that this application would be in Guyana's best interest," said Jordan. Central bank chief Gobin Ganga said the central bank had thoroughly reviewed the takeover plan and rejected it due to several concerns, including ones related to concentration in the market and competition. Last November, Republic announced that it was seeking to acquire Toronto-based Scotiabank's

THE DIALOGUE CONTINUES

Are Maduro & the Opposition Nearing Peace in Venezuela?

Q Venezuelan authorities on Sept. 17 released prominent opposition figure Édgar Zambrano, who had been imprisoned since May. President Nicolás Maduro's government said the release was an attempt at "peaceful coexistence" with opponents, though opposition leader Juan Guaidó called the release the result of popular pressure against Maduro's government. Just a day earlier, Maduro's party and small opposition parties reached a deal on reviewing the cases of other prisoners and on reforming the National Electoral Council. Are the two sides getting nearer to a negotiated peace? How cohesive is the opposition, and what negotiating power does it have? What role have international talks led by Norway and Barbados had in the process? Is Maduro closer to the beginning or the end of his term as president?

A Abraham F. Lowenthal, founding director of the Inter-American Dialogue and professor emeritus at the University of Southern California: "Sergio Bitar and I conducted face-to-face interviews with 13 former presidents who played important roles in the transitions from authoritarian rule toward democracy in Brazil, Chile, Mexico, South Africa, Ghana, Poland, Spain, Indonesia and the Philippines. These processes, though different, had a number of common elements, many of them relevant to Venezuela's plight. These transitions often began secretly, and sometimes unofficially. They did not gain much ground until an important sector of the

incumbent regime was ready to contemplate leaving or sharing power, and until the democratic opposition achieved unity around moderate rather than maximalist demands. These processes usually took considerable time. They experienced zig zags and setbacks. Democratic transitions require persistence, strategic patience and taking advantage of partial progress, even though unsatisfactory. If the Maduro regime has not yet made major concessions, that is no reason to abandon negotiation, which is likely the only way to achieve a peaceful transition. Confidence-building measures are useful on their own merits, and cooperation on humanitarian relief, supported internationally, can help reduce both polarization and despair. The international community can contribute importantly to peacemaking, but it cannot substitute its will for those of national actors, nor dictate the content and pace of negotiations. Heavy-handedness will predictably be counterproductive. The fact that important issues remain to be resolved is hardly surprising. All who hope for an end to Venezuela's tragic deterioration should do what they can to keep the prospect of negotiations alive. Strategic patience, self-restraint and a reinforcement of shared values and core interests are needed to achieve progress."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Thursday's issue of the Advisor.

operations in Guyana, St. Maarten, Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Earlier this month, the Eastern Caribbean Central Bank, which is based in St. Kitts, announced that it had approved an ap-

plication for a transfer of assets and liabilities from Scotiabank to Republic. However, the bank added that discussions were still going on with regard to the future of Scotiabank's operations in Antigua and Barbuda, the newspaper reported.

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for a long time, specifically those related to inadequate allocation of property rights and the lack of enforcement of these rights. Without the basic guarantee of who actually holds land titles, investments are unlikely to materialize. The Bolsonaro administration has not said how it intends to address land rights in the Amazon. Without clarity from the Bolsonaro government about its strategy to address deforestation and illegal activities in the rain forest, it is very difficult to see how a partnership with the United States would help protect the region and the 18 million people who live there. Brazil's relationship with the European Union, particularly after Bolsonaro's inflammatory speech at the United Nations General Assembly, is collapsing, placing the E.U.-Mercosur deal at risk. It is my view that Bolsonaro does not care much for preserving a good relationship with the European Union, nor is he really interested in the E.U.-Mercosur deal. I believe that he views the relationship as an obstacle to closer ties with the current U.S. administration and an obstacle to a potential trade deal with the United States. The crumbling relationship with E.U. countries has been further undermined by the Brazilian government's disregard for the Amazon Fund—largely made up of monies donated by Norway and Germany. The Bolsonaro administration views the Amazon Fund as inefficient and disregards the initiatives and projects that have been funded over the past several years as innocuous."

A **Charles H. Blake, professor of political science at James Madison University's School of Public & International Affairs:**

"The recent visit of Brazil's foreign minister to the United States signaled a potential strengthening of bilateral trade and investment ties between the United States and Brazil. The stance of the U.S. government poses a stark contrast to the criticism that the Jair Bolsonaro presidency has received

from many European Union member states for what many see as Brazil's failure to meet its international environmental commitments. Several European leaders are calling for retaliatory tariffs on Brazilian beef as a reprisal for the clear-cutting of forestland to create grazing lands for the expansion of

“**The stance of the U.S. government poses a stark contrast to the criticism that the Jair Bolsonaro presidency has received from many European Union member states...**”

— Charles H. Blake

cattle ranching in Brazil. France and Ireland furthermore announced that they would oppose the ratification of the E.U.-Mercosur trade agreement that was signed in June. Conversely, in the recent September ministerial meeting, U.S. authorities did not criticize the Bolsonaro government for the higher level of forest fires in the Amazon this year. Instead, they seemed to echo Bolsonaro's optimism that the promotion of farming and ranching in the Amazon can readily go hand in hand with the protection of the Amazon rain forest. Meanwhile, earlier in September, Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname signed a pact to coordinate their efforts to protect the Amazon region via enhanced satellite monitoring and a pledge to increase projects designed to promote reforestation. It is not yet clear what, concretely, this new Amazon pact and the new U.S.-Brazilian investment fund will produce in terms of protecting biodiversity and forestland in Amazonia."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2019

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@thedialogue.org

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