Brazil Focus –
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Weekly Report –
Oct. 24-30 2015

Looking Ahead ➔ What to watch for?

- 1st Nov. -- Daylight Savings Time ends in the US ➔ 3-hour time difference NYC/Brasília
- 2nd Nov. – National Religious Holiday [Day of the Dead]
- 3rd Nov. -- Trade balance for October ➔
- 3rd Nov. -- IBGE to report September Industrial Production ➔ +0.%
- 3rd Nov. -- Election Day in the US
- 4th Nov. -- New car sales October ➔ units, % MoM
- 6th Nov. -- IBGE to post IPCA data for October ➔
- 11th Nov. -- Holiday – Remembrance Day (UK & Canada); Veterans’ Day (US)
- 12th Nov. -- IBGE to post Industrial Employment data for September ➔
- 12th Nov. – Bill Clinton to address CNI’s National Industrial Encounter
- 13th Nov. -- IBGE to post Retail Sales data for September, +0.% MoM & +% YoY
- 13th Nov. -- Central Bank to post IBC-Br for 3rd Q/2013, % QoQ
• 15th Nov. -- National Holiday [Republic Day]
• 15-18 Nov. -- APEC summit meeting in Manila
• 17th Nov. -- PMDB National Congress in Brasilia
• 20th Nov. -- Zumbi Day – Afro-Brazilian Consciousness Day [holiday in some cities]
• 20th Nov. -- Labor Ministry – Caged data, new jobs created in October
• 20th Nov. -- IBGE to post unemployment data for October
• 22nd Nov. – Second round runoff election (balotaje) in Argentina
• 24-25 Nov. -- 195th Meeting (last in 2015) of Copom ➔ Selic rate

1 - POLITICS

1.1 – Party “Migration” – PT lost 71 mayors

According to Brazil’s election laws, party switching should occur up to one year before the next election – or 2nd October 2015, in preparation for the 2nd October 2016 municipal elections. This norm applies to Mayors elected in 2012 who want to run for reelection in 2016 and senators, and state and federal deputies who want to run for mayor.

According to data from the TSE accessed by the Folha de São Paulo, 71 municipal mayors left the PT to other parties seeking better conditions for their reelection. The only state where no PT mayor (of the 71 elected in 2012) switched parties was Rio Grande do Sul. The President of the PT-RS, Ary Vanazzi, explained that the party’s mayors are engaged in party decision making and the PT-RS has adopted a “critical viewpoint regarding the errors of the party and especially vis-à-vis the Dilma government”.

In SP, most mayors left the PT due to “local circumstances” – alignment with the state PSDB government and articulations with state and federal deputies from their respective regions. However, many also cited the “tarnished” image of the PT because of the recent corruption scandals.

PT national President Ruy Falcão maintained a “stiff upper lip” and commented that on balance the PT should receive more “switchers” [from other parties] than those mayors leaving the party. Many of the “switchers” out of the PT had joined the party during the very popular Lula government and are/were considered “Johnnie-come-lately” militants with no ideological connection with the PT.

The PT might lose even more mayors to the new parties officially recognized in September 2015, such as the Rede, because transfers to new parties have a longer period (beyond 2nd October).

Ever since the municipal elections in 1988, every four years the PT has elected an increasing number of mayors and city council members. The 2008 ➔ 2012 advance was 547 ➔ 655. Probably, in 2016, this trend will be reversed and the PT will elect less mayors and city council members than in 2012. This will constitute a negative forecast for the 2018 elections.
1.2 – Zelotes & Lava Jato

1.2.1 - Zelotes

On Monday, 26th October, the Federal Police got “closer” to Lula and his family when Federal Judge Célia Regina Ody Bernardes in Brasilia issued six warrants and 33 “search-and-seize” orders against those involved in the Carf investigations – nicknamed Operation Zelotes by the Federal Police. One of the “search-and-seize” orders was carried out at LFT Marketing Esportivo in SP – owned by Luís Claudio Lula da Silva (one of Lula’s sons). Also accused was Gilberto Carvalho who was Lula’s Chief of Staff (2003-2010) and then “held over” by Pres. Dilma to be General-Secretary of the Presidency during her first term (2011-2014). Carvalho was accused of “collusion with a lobbyist in defense of the interests of Brazil’s auto sector”. Carvalho is accused of being the “go between” linkage for this scheme within the Planalto Palace (presidential office).

A key arrest was Mauro Marcondes Machado and his wife Cristina Mautoni Marcondes Machado. He was the Vice-President of Anfavea-The National Assoc. of Factories of Automotive Vehicles. Immediately, Anfavea suspended Marcondes from his position.

Judge Ody Bernardes thought that is was “quite strange and irregular” that LFT Sports Marketing had received R$ 3 million from the Marcondes & Mautoni firm and another R$ 1.5 million from SGR – neither firm has anything to do with “Sports Marketing”.

What did the auto sector want? According to information and data accessed by the Federal Police the “target” was the content of three MPs (Medidas Provisórias) 627, 471 and 512 that dealt with extending the time limits of tax exemptions for new autos selling MPs.

Regarding Carf-Administrative Council for Fiscal Review – a unit at the Finance Ministry that “reviews” heavy fines imposed on firms for tax evasion – Federal Police and Federal Prosecutors discovered that in return for some “side payments” (bribes), Carf would either annul these fines of drastically reduce the value assessed that the government was “ripped off” to the tune of R$ 19 billion.

In addition to Marcondes Machado and his wife, four other “conspirators” were arrested – 1) Alexandre Paes dos Santos (APS), a very well known lobbyist in Brasilia; 2) José Ricardo da Silva, former Carf counselor and son of Elvany Silva, number two at the SRF; 3) Eduardo Gonçalves Valadão, lawyer and partner of José Ricardo and APS; and 4) Halysson Carvalho Silva, lobbyist and partner of APS.

APS arrived in Brasília in the mid-1970s and began his lobby operation. During the Fernando H. Cardoso he obtained “free access” to the Planalto Palace (presidential office building) and conducted his lobbying efforts directly with presidential advisors. However – APS “over played his hand” and in November 2001 the Cardoso government prohibited his entry.

Nine other warrants for “coercive testimony” were carried out, including Lytha Battiston Spindola, Secretary of Foreign Trade at MDIC.

Lula was furious over this attack against his sons by the Federal Police on the eve of his 70th birthday!! This Federal Police action has widened the “gap” between Lula and Dilma. Reportedly, Lula has abandoned his demand that Dilma dismiss Justice Minister José Eduardo Cardozo (PT-SP).

**Detail:** Supposedly, the Federal Police is under Cardozo’s “jurisdiction” [command].


See [http://www.pressreader.com/brazil/folha-de-spaulo/20151027/281681138737782/TextView](http://www.pressreader.com/brazil/folha-de-spaulo/20151027/281681138737782/TextView)


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**Happy Birthday, Lula** – On 27th October, Lula, his family, friends and PT militants celebrated his 70th birthday in São Paulo. At first, Pres. Dilma decided it would be better not to attend, but after numerous press speculations regarding her “split” with Lula after the Federal Police action against his sons, at the last minute she flew to SP to attend this event.

Photo: Ricardo Stuckert/Instituto Lula

Haddad, Dilma & Rui Falcão at Lula’s party.


After his father’s birthday party, when he arrived home at 11:00 p.m., with his wife, Fátima, who is six months pregnant, Luis Claudio was formally “convoked” by the Federal Police to give testimony on 29th October to “explain” how/why his firm received a R$ 1.5 million transfer (payment) from Marcondes e Mautoni, the firm that does lobby for the automotive sector regarding the alleged “purchase” of an MP. **Want more?** The SRF (federal tax service) wants to break open the bank secrecy of LFT Marketing Esportivo – Luis Claudio’s firm. The CPI investigating Carf, should convocate Luis Claudio to give testimony next week. **Detail:** Luis Claudio’s “home” is a luxurious apartment owned by his father-in-law, Roberto Teixeira – a long time lawyer representing Lula. Teixeira is also Luis Claudio’s godfather.
Detail: Reportedly, the National PT Directorate is preparing a document decrying the Federal Police Action against Lula’s son as an “attempt to debilitate Brazil’s democracy”. (See Item 1.7)

1.2.2 – Lava Jato

On 26th October, Judge Sérgio Moro officially accepted the plea bargaining testimony by João Antonio Bernardi Filho who was the corruption/bribe operator/intermediary for former Petrobras Director Renato Duque vis-à-vis Italian and Argentine firms (Petrobras suppliers). He had been under arrest in Curitiba since June 2015. Part of the bribes was passed on to Duque in the form of “works of art” and the Federal Police confiscated some 130 valued paintings in their “search-and-seize” operations. In order to finalize his testimony, Bernardi Filho will return R$ 40 million (US$ 10 million) plus a R$ 3 million fine. He had known Duque for some 30 years from when they worked together at Petrobras. Duque sought out Bernardi Filho to help him transfer (and receive) the bribe payments overseas. Bernardi’s prison term should be 12 years, but due to his plea bargaining will serve his term under “semi house arrest” where he be allowed to leave home during the day to work.

On 28th October, STF Judge Teori Zavascki authorized the breaking of bank secrecy of the Queiroz Galvão construction firm and two lawyers – Fernando Neves and Michel Saliba. Neves received a R$ 560,000,00 payment from Queiroz Galvão in 2010 for defending then Deputy João Pizzolati (who had been declared ineligible) at the TSE. Currently, Neves is defending Sen. Fernando Collor (PTB-AL) as the STF. The Federal Prosecutors argue that these payments (to Neves) came from illicit funds derived from Petrobras corruption bribes. Saliba is accused of receiving payments to defend Pizzolati in other cases. Doleiro Alberto Yousseff affirmed that Pizzolati had received R$ 5.5 million from Petrobras bribes and that part was paid to Saliba.

Pizzolati’s bank account secrecy was also broken open as well as his son, João Alberto Pizzolati Neto. The bank accounts of former Minister Mário Negromonte (PP-BA) and his family members were also broken open.

AS might be expected, the OAB vigorously protested against this “violence” against the two lawyers – Neves and Saliba.

1.3 – Election polls

1.3.1 - New Ibope poll

Ibope released its first 2018 presidential poll on 26th October. This survey was conducted on 17-21 October among 2,002 voters in 140 municípios. This poll evaluated voter preferences vis-à-vis SIX potential candidates (chosen by Ibope) ⇒ Lula (PT), Aécio Neves (PSDB), Geraldo Alckmin (PSDB) José Serra (PSDB), Marina Silva (Rede) and Ciro Gomes (PDT).

Ciro Gomes ran for president twice with the PPS (1998 & 2002) and polled around 12% of the valid vote. He then switched to the PSB and elected his brother Cid governor of CE twice. In 2013, anticipating that Gov. Eduardo Campos (PSB-CE) would run for president in 2014, the Gomes
brothers organized a new party (PROS) in an attempt to carry Ceará for Dilma Rousseff’s reelection that year. In 2015, they left PROS and switched to the PDT. It is rumored that Ciro Gomes might become the PDT’s presidential candidate in 2018. For this reason he was included in the *Ibope* poll.

<table>
<thead>
<tr>
<th>Candidate/Party</th>
<th>Never</th>
<th>For Certain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lula (PT)</td>
<td>55%</td>
<td>25%</td>
</tr>
<tr>
<td>A. Neves (PSDB)</td>
<td>47%</td>
<td>15%</td>
</tr>
<tr>
<td>Alckmin (PSDS)</td>
<td>52%</td>
<td>7%</td>
</tr>
<tr>
<td>J. Serra (PSDB)</td>
<td>54%</td>
<td>8%</td>
</tr>
<tr>
<td>M. Silva (Rede)</td>
<td>50%</td>
<td>11%</td>
</tr>
<tr>
<td>C. Gomes (PDT)</td>
<td>52%</td>
<td>4%</td>
</tr>
</tbody>
</table>

This poll noted an increase in voter rejection for Lula (33% → 53%) and a decline of those who would vote for him “For Certain” (33% → 23%) compared with a poll conducted in May 2014.

### 1.3.2 – CNT/MDA poll

This MDA poll was conducted for the CNT on 20-24 October among 2,002 voters in 136 *municípios* (24 states) with a margin of error at 2.2 points. The previous MDA poll was conducted on 12-16 July.

#### 2018 Election Scenarios

Three scenarios were posed for the voters in “stimulated response” mode with Lula and Marina Silva *versus* the three *tucanos* – Sen. Aécio Neves, Gov. Geraldo Alckmin and Sen. José Serra.

<table>
<thead>
<tr>
<th>Candidate/Party</th>
<th>A.</th>
<th>B.</th>
<th>C.</th>
<th>Spontaneous</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Neves (PSDB)</td>
<td>32.0%</td>
<td>-</td>
<td>-</td>
<td>13.7%</td>
</tr>
<tr>
<td>G. Alckmin (PSDB)</td>
<td>-</td>
<td>19.9%</td>
<td>-</td>
<td>1.2%</td>
</tr>
<tr>
<td>J. Serra (PSDB)</td>
<td>-</td>
<td>-</td>
<td>19.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Lula (PT)</td>
<td>21.6%</td>
<td>23.1%</td>
<td>23.6%</td>
<td>7.9%</td>
</tr>
<tr>
<td>M. Silva (Rede)</td>
<td>21.3%</td>
<td>27.8%</td>
<td>27.9%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.3%</td>
</tr>
<tr>
<td>Blank/Null</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17.3%</td>
</tr>
<tr>
<td>NS/NR</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47.9%</td>
</tr>
</tbody>
</table>

Some three years before the October 2018 elections, this MDA poll found that Senator Aécio Neves (PSDB) on top with 32.0% (stimulated response) and 13.7% (spontaneous response). Lula polled a bit ahead of Alckmin and Serra, but was surpassed by Marina Silva (Rede) in the “B” and “C” scenarios (without Aécio Neves). One of the reasons for Lula’s “poor” performance probably was due to the *Lava Jato* and *Zelotes* investigations that allegedly have discovered connections to these cases of corruption by Lula and his sons. In the July poll, the Aécio *versus* Lula result was 35.1% vs. 22.8% → Aécio down by three points and Lula declined by one point.
Evaluation of Dilma

This MDA poll also evaluated the “Dilma Government” and the personal performance of President Dilma.

<table>
<thead>
<tr>
<th>Evaluation of Dilma Gov't.</th>
<th>2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>41.0%</td>
<td>10.8%</td>
<td>7.7%</td>
<td>8.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular</td>
<td>35.0%</td>
<td>23.6%</td>
<td>20.5%</td>
<td>20.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td>23.5%</td>
<td>64.8%</td>
<td>70.9%</td>
<td>70.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DK/NR</td>
<td>0.5%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>0.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This poll shows that the positive evaluation of the “Dilma Government” dipped down to the single digits in July (7.7%) – lower than the recent Datafolha poll (10%) and Ibope poll (9%) and improved slightly (8.8%) in October. Between March and July the decline was 3.1 points (10.8% → 7.7%) – very low compared with the 41.0% approval rating in September 2014, just prior to the October elections. This July result was worse than the previous “low” for the government of Pres. Cardoso → 8% approval in September 1999. In October 2015, Dilma bested FHC by 0.8 points.

<table>
<thead>
<tr>
<th>Evaluation Performance Pres. Dilma</th>
<th>2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve</td>
<td>55.6%</td>
<td>18.9%</td>
<td>15.3%</td>
<td>15.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disapprove</td>
<td>40.1%</td>
<td>77.7%</td>
<td>79.9%</td>
<td>80.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DK/NR</td>
<td>4.3%</td>
<td>3.4%</td>
<td>4.8%</td>
<td>3.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Traditionally, a government is evaluated worse that its president and this is the case in this October CNT/MDA poll where Dilma’s personal evaluation as president was 15.9% (very slightly improved from 15.3% in March). Back in September 2014, her personal approval rating was 55.6%.

Regionally, the approval of Dilma in the Northeast is still the highest 23.6% vs. 11.5% in the Southeast.

See ➔ file:///C:/Users/David/Downloads/Relatorio%20de%20Cruza%cc%81mento%20-%20CNTMDA%20129.pdf

Conclusion ➔ A very slight improvement since July.

1.4 – Rumors regarding Levy’s exit

On 27th October, rumors circulated in Brasília that Pres. Dilma would replace Finance Minister Joaquim Levy. A portion of these rumors were strengthened by “versions” that were leaked out regarding a Friday (23rd October) meeting or Pres. Dilma with former Finance Minister Antonio Palocci ➔ to the end that Palocci would replace Levy at Finance.

Although Palocci is rated as having done a very competent job as Lula’s first Finance Minister (2003-2006), since then he has accumulated quite a “dirty record sheet” (folha corrida) on the Federal
Police blotter. If Palocci were to replace Levy, the very next day Brazil would suffer downgrades by Moody’s and Fitch – who view Levy as the important guarantor of Dilma’s “warranty”.

Also, in 2003-2006, Palocci was able to assemble (recruit) a very competent technical team but in late 2015, very few of these technicians would be interested in boarding a “sinking ship”. See http://www.bloomberg.com/news/articles/2015-10-27/brazil-real-falls-for-second-day-on-renewed-concern-levy-leaving

Want more? During a “reserved” lunchon with 20 British investors (banks and firms) at the Cortinthia Hotel in London on 28th October, Finance Minister Joaquim Levy refrained from answering some “direct” questions regarding his permanence as Finance Minister. This response left those present “frustrated”. He also refused to answer questions about the current political crisis (turmoil) in Brazil. On 29th October, Levy met with his British counter part – George Osborne. See http://www1.folha.uol.com.br/mercado/2015/10/1699546-levy-evita-falar-se-fica-na-fazenda-e-frustra-investidores-em-londres.shtml

1.5 – Fitch is “concerned”/worried

On Wednesday, 28th October, Fitch Ratings Director Shelly Shetty affirmed that “Brazil’s fiscal slippage and the increasing government’s debt burden are a source of concern for us”. On Tuesday, 27th October, the government modified its 2015 fiscal projection from a primary surplus of +R$ 5.8 billion to a deficit of -R$ 51.8 billion – and a modification of its GDP prediction, from a 2.4% retraction to a 2.8% decline. See http://www.reuters.com/article/2015/10/28/brazil-ratings-fitch-idUSL1N12S1CN20151028

1.6 – The PMDB “wants out”

The “senior partner” in Pres. Dilma’s “weak” support coalition, the PMDB wants “out” and is ready to jump ship, break with the PT and leave the coalition and the Dilma government – according to a reported majority of the party’s leaders in the 27 states.

The Congress of the PMDB’s Ulysses Guimarães Foundation is scheduled to meet in Brasília on 17th November. The Folha de São Paulo gained access to a preliminary version of the party’s platform/program that is highly critical of the PT’s economic policies; especially after 2011 (Dilma’s first term).

1) The PT practices a “fratricide” struggle against the PMDB to reduce its role and importance;
2) The PMDB needs to follow its own pathways and “elegantly” break with the PT, the party can no longer be associated with the grave failures of this government caused by a series of wrong decisions that the PMDB had no role in formulating;
3) Our leaders feel isolated because they are not part of the so-called “national plan”;
4) The deceleration of the economy, high interest rates, unemployment and declining tax revenues clearly show that the economy is out of control;
5) The so-called “New Economic Matrix” adopted by the Dilma government seems to the root of all these problems and difficulties because its strategy is a general increase in public expenditures;
In this context, it is easy to perceive how wrong this economic policy is – based on the wrong diagnosis that the deterioration of Brazil’s economy is due to the negative international scene;

The idea of excellence in Brazil’s public service should be promoted – this implies a clear differentiation between activities of the State and of the Government.


1.7 – Lula addressed PT National Directorate in Brasília

On Thursday afternoon, 29th October, Lula addressed a meeting of the PT National Directorate in Brasília. The purpose of this meeting was to elaborate a document to redress/avenge Lula and his son regarding the “aggression” they suffered at the hands of the Federal Police and federal prosecutors, accusing them of influence pedaling, insider trading, illegal lobbying activities, and violation of several federal laws – and what is called “illicit enrichment”.

See ➤ http://www.institutolula.org/lula-participa-de-reuniao-do-diretorio-nacional-do-pt

➤ Note: you will have to advance this video until the point where Lula begins his address.

The PT also sees this strategy as an attack on the PT itself in order to destabilize the party and alienate it from the Brazilian voter.

2 – FOREIGN RELATIONS & TRADE

2.1 – Argentine elections

After 12 years of government by the Kitchener’s, Argentine held its elections for President, four governors, one-half (130) of the Chamber of Deputies and one-third (24) of the Senate.

The results of the presidential election were much closer than predicted by the election polls because over 20% of the electorate was “undecided”. Apparently, many of the latter voted for the opposition candidates – Macri and Massa.

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Party</th>
<th>Votes</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scioli</td>
<td>FPV</td>
<td>8,997,535</td>
<td>36.86</td>
</tr>
<tr>
<td>Macri</td>
<td>Cambiemos</td>
<td>8,379,624</td>
<td>34.33</td>
</tr>
<tr>
<td>Massa</td>
<td>UNA</td>
<td>5,208,705</td>
<td>21.34</td>
</tr>
<tr>
<td>Del Caño</td>
<td>FIT</td>
<td>797,671</td>
<td>3.27</td>
</tr>
<tr>
<td>Stolbizer</td>
<td>Prog</td>
<td>618,860</td>
<td>2.54</td>
</tr>
<tr>
<td>R. Saá</td>
<td>CF</td>
<td>406,942</td>
<td>1.67</td>
</tr>
<tr>
<td>Blank</td>
<td>- -</td>
<td>595,928</td>
<td>2.36</td>
</tr>
<tr>
<td>Null</td>
<td>- -</td>
<td>188,640</td>
<td>0.75</td>
</tr>
<tr>
<td>Challenged</td>
<td>- -</td>
<td>15,104</td>
<td>0.06</td>
</tr>
</tbody>
</table>

Because no candidate achieved 45% of the valid and the difference between the top two candidates was only 2.5 points, there will be a second round runoff (balotaje) between Daniel Scioli and Mauricio Macri scheduled for 22nd November.
If elected, neither Scioli nor Macri would have a majority in Congress and would have to negotiate a governing coalition. Mauricio Macri is the anti-Peronista Mayor of the city of Buenos Aires and Daniel Scioli, a Peronist (not closely allied with Cristina Fernandes Kirchner) is the Governor of the province of Buenos Aires. Nacru’s running mate for Vice-President is a woman ➔ Gabriela Michetti.

However, Scioli saw his successor candidate for governor of the province of Buenos Aires – Aníbal Fernández – (the most powerful of all Argentine Provinces) be defeated by a candidate allied with Mauricio Macri – Maria Eugênia Vidal (with 39.49% of the valid vote), the first woman elected to govern this province. Fernández had served in several important positions in the Cristina Kirchner government.


On the other hand, in the province of Santa Cruz (the home base of the Kirchners), Cristina’s sister in law Alicia Kirchner was elected governor and her son Máximo was elected federal deputy.

During the first round campaign, Scioli refused to participate in TV debates with the other candidates. However, now in the second round campaign he affirmed that he would debate Macri. **Detail:** Scioli is seen as the “underdog” in the second round campaign – especially if Sérgio Massa supports Macri.

### 2.2 – PSDB goes to Washington

Two *tucano* senators will take their “Opposition road show” to Washington on Tuesday, 17th November [the same day that the PMDB national congress is scheduled for Brasília.

PSDB Senators Aécio Neves (MG) and Aloysio Nunes Ferreira (SP) will participate at an event organized by the Brazil Institute at the Woodrow Wilson Center at 10:00 a.m. entitled “The Crisis in Brazil According to the Opposition”.

See ➔ [http://pages.wilsoncenter.org/index.php/email/emailWebview?fmt=true&mkt_tok=3RkMMJWWjF9w5RomgrIe%2FhmyjTtE%516a0qWqOg38431UFwd27KPn9r1YlGRMRml%2B5L.DwEYGJv6.9gFSLHMMa12z7gL%3D](http://pages.wilsoncenter.org/index.php/email/emailWebview?fmt=true&mkt_tok=3RkMMJWWjF9w5RomgrIe%2FhmyjTtE%516a0qWqOg38431UFwd27KPn9r1YlGRMRml%2B5L.DwEYGJv6.9gFSLHMMa12z7gL%3D)
2.3 – Switzerland to extradite José Maria Marin

On 28th October, Swiss courts agreed to extradite former CBF President José Maria Marin to the US to stand trial for corruption in “soccer transactions” involving banks in the US. He was arrested in Zurich on 27th May. According to Swiss law, Marin would have 30 days to file an appeal in Swiss courts, but he waived this right and will be transferred to New York under US police escort within ten days. Marin is accused of receiving some US$ 110 million in bribes.

Marin’s lawyers plan to request that he be placed under house arrest in NY. Court documents show that Marin owns a one bedroom apartment in the Trump Tower worth US$ 2 million.

2.4 – Election observation in Venezuela

Last week, Brazil Focus reported that Venezuela had vetoed the name of Nelson Jobim to head a Unasur election observation team for the December elections. This week more ramifications appeared. First – This veto by the Maduro government against Jobim was communicated to TSE President Dias Toffoli by Professor Marco Aurélio Garcia – special foreign affairs advisor to Pres. Dilma, bypassing “diplomatic channels” (Itamaraty) – frequently Prof. Garcia communicates directly with the “bolivariano” governments of Venezuela, Bolivia and Ecuador without involving Itamaraty. Second – Later, this version was “modified” so that the veto did not come from Venezuela but rather via Unasur itself, via its president, former president of Colombia, Ernesto Samper, during his rapid visit to Brasília. Third – As usual, Itamaraty was given the task of “picking up the broken pieces” and Foreign Minister Mauro Vieira “discretely” asked Dias Toffoli to reconsider his (the TSE’s) decision not to participate in any Unasur election observation team. Toffoli refused, saying “The TSE has already made its decision”. Detail: While serving on Brazil’s Supreme Court, Jobim had been TSE President. This decision could be called “TSE solidarity” and was not taken into consideration by Prof. Garcia.

2.5 – Presidential decree to “soften” UCLs

Reportedly, Dilma’s presidential staff is preparing [drafting] a decree for her to sign that would “soften” the UCLs [Local Content Requirements] that govern contract auctions for state enterprises.
These local content obligations for these contracts are seen as contributing to much higher costs for those equipments and services.


2.6 – World Bank annual “Doing Business” report

On 27th October, the World Bank released its 2015 edition of “Doing Business” that ranked 189 countries regarding the “ease” of difficulty of Doing Business (business climate) in each nation. Brazil slipped down by five ranks 111th ➔ 116th while India advanced four ranks 134th ➔ 134th.

According to this WB study, Brazil improved on two criteria – electricity supply and exports – but declined (got worse) on seven criteria ➔ the case of opening a new business, construction permits, registry of property, credit availability, protection of minority share holders, tax evasion, resolving bankruptcies. The best-ranked nations in Latin America were Mexico (38th), Chile (48th) and Peru (50th).

See ➔ http://www.doingbusiness.org/rankings
See ➔ http://economia.estadao.com.br/noticias/geral,brasil-cai-cinco-posicoes-em-rankings-sobre-facilidade-de-negocios,1787036

2.6 – Japanese Imperial Family visits Brazil

On 28th October, Prince Akishino and his wife Kiko arrived in São Paulo for an eleven day visit to Brazil to mark the 120 years of diplomatic relations begun in late 1905. From São Paulo their itinerary will include Curitiba, Londrina, Campo Grande, Miranda, Belém, Brasília and Rio de Janeiro. They will embark from Rio on 8th November bound for Tokyo (via Frankfurt) arriving on 10th November.

Reportedly, the Japanese Imperial Family traces its lineage back to its founding in 660 A.C. The current Emperor, Akihito (82), assumed the throne when his father Hirohito died in 1989. Akishino is the younger son of Akinito. His older brother Naruhito is the crown prince. He and his wife Masako have a daughter Aiko (13). Until Akishino and Kiko had a son – Hisahito (9) – there was a movement to modify the line or inheritance rules to allow a woman to become Emperor.


3 - REFORMS

Nothing this week.

4 – PRIVATIZATION & REGULATION
4.1 – LetterOne to invest in Oi-TIM merger

On 27th October the Brazilian press announced that the Russian Investment Fund LetterOne [Read: Mikhail Fridman, the 2nd richest person in Russia] will invest US$ 4 billion to “stimulate” the merger of Oi with TIM. The market value of TIM is R$ 20.75 billion and that of Oi is estimated at R$ 2.67 billion. Fridman’s fortune is estimated at US$ 14.7 billion and LetterOne in based in Luxemburg. He founded a conglomerate (Alfa Group) in 1989. His Luxemburg fund was established after the sale of his share in the TNK-BP joint venture petrol firm (the Russian TNK with British Petroleum. He is a Jew born in The Ukraine (Livre) with a BA in Arts – according to his profile in Forbes. In 1996, he was one of the principal sources of funds for the reelection campaign of Boris Yeltsin.

4.2 – Port privatizations

On 26th October, Antaq (National Regulatory Agency for Water Transportation (sea ports and rivers) released the tendering documents for the privatization auction of four ports scheduled for 9th December. Three of these port installations are within the Santos, SP complex, and the other is located at the Port Vila do Conde in Pará. According to Antaq Director-General, Mário Povia, shortly after this auction, another is planned for 4 other areas in the state of Pará. As in other recent infrastructure auctions, Brazilian and foreign firms can compete on equal terms in this auction.

It took the TCU two years to analyze this privatization and make important modifications in the process. This 9th December auction should yield R$ 1 billion.

4.3 – Hydro-electric auction

The Dilma government had planned to hold a public auction for 29 concessions for new hydro electric installations on 6th November. BUT because Congress probably will not approve the enabling MP before that date a new date was established. The MM&E has now postponed this date until 25th November. These hydro electric installations were returned to the federal government by Cemig, Copel Cesp and Celese because they did not agree with the conditions for renewal of these concessions for another 30 years. The expected financial result is around R$ 18 billion. This revenue should help the Dilma government reduce the projected 2015 fiscal deficit of R$ 51.8 billion. ➔ See Item 5.1

5 - ECONOMICS

5.1 – 2015 Fiscal Deficit projected at R$ 51.8 billion

On Wednesday, 28th October, the Dilma government announced that the 2015 primary deficit should be around R$ 51.8 billion. This does not include the accumulated deficit from 2014 or the possible revenues from privatizations (See Items 4.2 & 4.3)

5.2 - Unemployment reached 8.7%
On 28th October, IBGE released its PNAD continuous household survey covering the June-August three-month period where unemployment reached 8.7%. This survey covered 211,000 households in 3,500 municípios – a much larger database sample than IBGE’s monthly survey that covers only the six largest metropolitan areas.

André Calistre, Director of Social Policy Studies at IPEA tried to blame Brazil’s increased unemployment on the *Lava Jato* investigation that “destroyed” Brazil’s largest construction/engineering firms ➔ a direct quotation from the PT’s “bible”.

The average worker’s wage was R$ 1,882.00 per month, down by -1.1% from the three-month period ending in May 2015. For the period ending in February 2015, the average wage was R$ 1,918.00.

### 5.3 – September primary deficit

On 29th October, the STN announced that the central government had posted a R$ 6.932 billion deficit for the Month of September – the fifth straight monthly deficit. In August, the central government deficit was R$ 5.08 billion.