Looking Ahead ➔ What to watch for?

- **6th Dec.** -- Venezuela to hold legislative elections
- **7th Dec.** -- IBGE to post IPCA data for November ➔
- **10th Dec.** -- Inauguration Pres. Mauricio Macri in Buenos Aires ➔ Pres. Dilma should attend
- **14th Dec.** -- Pres. Dilma Rousseff ➔ 68th birthday
- **15-16 Dec.** -- Last meeting of the Fed in 2015; should increase basic interest rates
- **21st Dec.** -- Mercosur Summit to meet in Asunción, Paraguay ➔ Uruguay to assume next six-month rotating presidency
- **22nd Dec.** -- Deadline for Congress to adjourn
- **25th Dec.** -- Christmas Day [national holiday]
- **30th Dec.** -- Public Account data for November
- **30th Dec.** -- FGV to post December IGP-M & 2015 ➔
- **31st Dec.** -- Deadline for Congress to approve 2016 detailed budget [LOA]
- **1st Jan.** -- New Years Day – National Holiday
- **1st Jan.** -- New minimum wage of R$865.50 goes into effect
- **4th Jan.** -- December and 2015 trade balance data
- **5th Jan.** -- December auto sales ___ & ____ units in 2015
- **7th Jan.** -- FGV to announce December IGP-DI ➔ +0.__% & +___% in 2015
- **8th Jan.** -- IBGE to announce unemployment data for November
1 - POLITICS

1.1 – Eduardo Cunha launched impeachment of Dilma

On late Wednesday afternoon, 2\textsuperscript{nd} December, Chamber President Dep. Eduardo Cunha (PMDB-RJ) convened a press conference to announce that he had launched impeachment proceedings against Pres. Dilma Rousseff and that this decision was published in the Daily Record (DOU) the next day (3\textsuperscript{rd} December).

**What happened?** Dep. Eduardo Cunha is trying to impede the Chamber Ethics Council decision to allow the deliberation of his possible cassação [expulsion from the Chamber] to proceed. The key swing votes are the three PT deputies who are members of this Council. Earlier on Wednesday morning, three of Dilma’s cabinet ministers - Jacques Wagner, Chief of the Casa Civil; José Eduardo Cardozo, Justice Minister; and Ricardo Berzoini, Minister of Government Relations -- guaranteed that they would indeed vote in favor of Cunha, BUT later in the afternoon, the three announced that they would vote against Cunha. Then the “xxxx really hit the fan” as they say -- Cunha became irate and decided to announce that he had accepted the request for impeachment formulated by lawyers Hélio Bicudo (PT founder and former deputy), Miguel Reale Junior (Pres. Cardoso’s Justice Minister) and USP law professor Janaina Paschoal.

However, there are indications that the decision of the three PT deputies was not the only reason that Cunha launched impeachment in the Chamber. Apparently, he discovered that the PGR, Rodrigo Janot, was about to file a request at the STF requesting the removal of Cunha as Chamber President. To a certain extent, he applied a “checkmate” to this possible initiative -- because now any attempt by the PGR now would be considered a “pro-Dilma” action.

Pres. Dilma had “locked horns” with Cunha ever since her first term when she tried to convince the PMDB not to elect (and reelect) him as PMDB floor leader in the Chamber. Then, in January 2015, she tried everything in her power to avoid Cunha being elected President of the Chamber – but of 1\textsuperscript{st} February he was elected by an absolute majority on the first round, defeating the PT candidate – former Chamber President Arlindo Chinaglia (PT-SP).

Immediately after Cunha’s announcement, Pres. Dilma called an emergency meeting with nine of her cabinet ministers and she made a brief statement – that was not carried in a national TV/radio hookup, but was picked up and broadcast by the evening news programs. She affirmed that she had committed no crime, had not received any bribes, had not embezzled any money for her personal enrichment, and did not have any overseas bank accounts. This was a direct comparison between her CV and that of Cunha. She also vowed to fight the impeachment case totally, saying I was legally elected in October 2014 by an absolute majority of the popular vote – insinuating that her impeachment (removal) would be a golpe, coup d’état, unconstitutional, etc. However, she conveniently “forgot” that Pres. Fernando Collor was democratically elected in 1989 and was “removed” by a constitutional impeachment process in 1992. No golpe.

See ➤ [http://g1.globo.com/politica/noticia/2015/12/dilma-diz-que-recebem-com-indignacao-abertura-de-impeachment.html](http://g1.globo.com/politica/noticia/2015/12/dilma-diz-que-recebem-com-indignacao-abertura-de-impeachment.html)
President Dilma also affirmed that she as President and her government never were involved with negotiating “bargains” (.accords, agreements) with politicians. The next day (3rd December), Eduardo Cunha told a group of journalists “She lied to the Brazilian people last night”. He explained that that same morning (2nd December, Dilma’s Casa Civil Chief Jacques Wagner had received one of Cunha’s allies, Dep. André Moura (PSC-SE) and he was taken to chat with Dilma. She in turn offered a “bargain” – support for Cunha in the Chamber Ethics Council in return for his efforts to approve the CPMF in the Chamber. Immediately, an “outraged” Jacques Wagner told the press that he had received Moura, but he did not meet with Dilma and no bargain was discussed. However, on Friday, 4th December, TV Globo Reporter Gerson Camarotti revealed in his blog that Moura had make a cellphone recording of his conversations with Wagner and Dilma – thus proving that Eduardo Cunha’s accusation was correct – not only Dilma lied but Wagner as well.


➔ A very high jinx chess game!!!

The PT floor leader in the Chamber affirmed that he would take this case to the STF and request that the Supreme Court determine Cunha’s decision to be unconstitutional. Probably, the STF will decide not to decide this case. BUT – the PT decided that this was not a viable strategy once the reporter on this request at the STF is Judges Gilmar Mendes and Celso Mello (chosen by lottery).

See ➔ http://www1.folha.uol.com.br/poder/2015/12/1714603-pt-diz-ao-stf-que-cunha-agiu-por-vinganca-gilmar-
mendes-sera-relator.shtml

Exactly one week after the “three-power crisis” on 25th November when the STF ordered the arrest of Dilma’s floor leader in the Senate Delcídio do Amaral (PT-MS) and the Senate confirmed (acquiesced) to this arrest warrant, another three-power crisis irrupted on 2nd December that probably will again involve the “checks-and-balances” within Montesquieu’s thee-power model.

What now? Soon or later, Cunha will have his case decided by the Chamber Ethics Committee (probably to continue the deliberations). On 2nd December, once again this Council took no decision on the report to continue the deliberations. Another meeting was scheduled for 8th December. It is possible that this Council will be unable to make a final decision in December before the holiday recess begins.

The Special Chamber Committee to evaluate the impeachment request should be installed next week and then chose its President and Reporter. The floor leader of each party in the Chamber (the larger ones) will designate deputies (and alternates) to this Committee – proportionate to the size delegation of each party in the Chamber.

It is possible that the Chamber might decide to convok a special extraordinary session in late December and in January to continue the impeachment deliberations. If a special session is convoked, each deputy would receive an extra month’s salary.

In the impeachment of Fernando Collor in 1992, the “new fact” that led then Chamber President Ibsen Pinheiro (PMDB-RS) to initiate impeachment proceedings was a bombastic cover story
interview in *Veja* in late April 1992 by Pres. Collor’s younger brother Pedro Collor that exposed many corrupt acts involving Pres. Collor and his “shadow bag man” Paulo Cesar (PC) Faria.

When the impeachment committee was installed in the Chamber the first week in June 1992, then Senator FH Cardoso (PSDB-SP) affirmed – “This will not achieve anything and will end up in pizza.” However, once its deliberations began, the Committee received many new testimonies and received new documents and evidence. A driver at the President’s office (Ediberto) testified that he had driven several women presidential staffers to specific banks (to make deposits) on specific dates. When the Committee verified this information more damaging information appeared from the deposit records of the Banco Rural, the BMG and others. Finally, the Central Bank flooded the Committee with thousands of canceled checks. After four months of deliberations, the Committee report in favor of Collor’s impeachment was approved by the Chamber by a margin larger that the required two-thirds majority on 30th September. Collor was suspended for 180 days and Vice-President Itamar Franco temporarily assumed the Presidency. After another three months deliberations, on 30th December, the Senate (acting as a jury and presided over by the STF President voted to finalize Collor’s impeachment. Thus, Itamar Franco served out the remainder of Collor’s five-year term until 31st December 1994.

**Similarities & Differences** – The situation of Collor in 1992 and Dilma in 2015 have considerable differences: 1) In 1992, there was no mammoth scandal – Petrobras/*Lava Jato* (and now BNDES) – involving important members of Collor’s government (arrested, etc.); 2) in 1992, Brazil was not going through a severe economic recession/depression, as in 2015; 3) Collor had been elected in 1989, whereas Dilma was reelected in 2014; and 4) Collor was not accused disrupting public accounts and provoking massive fiscal deficits.

There are similarities as well: 1) Each President was elected in a democratic, popular election on the second round; 2) These 2nd round elections were hotly disputed and each won by a small margin (Dilma’s victory margin was smaller than Collor’s); 3) Neither Collor or Dilma had/have adequate majorities in Congress and were unable to approve any major legislation; and 4) Neither in 1992 or 2015, neither president was attacked by large street protest demonstrations. In 1992, the *caras pintadas* was very small compared to the 2013 street demonstrations.

**Possible Scenarios** ➔ Eduardo Cunha is an experienced, calculating politician who does not make/take “false steps”. In deciding to initiate impeachment proceedings in the Chamber most probably he has mapped out his next steps. Before a formal process in installed in the Chamber Ethics Council he probably would resign the Chamber Presidency in an attempt to preserve his mandate as Deputy – “give up two or three fingers to save his arm”.

Most probably, he has already articulated with the PMDB his successor as Chamber president via a new election immediately after his resignation. His probable successor could be Dep. Deputy Jarbas Vasconcelos (PMDB-PE) – the most experienced and distinguished PMDB icon. He has a “clean slate” (never been accused of corrupt acts). Also he was a founder of the MDB in 1996, served as governor of Pernambuco (twice) and Senator (twice) and now again federal deputy. He would be perfect to oversee the impeachment proceedings against Dilma and would serve to re-unite the PMDB delegation in the Chamber.
A good example of “PMDB unity” occurred in the Senate on 25th November when 19 of the 21 PMDB senators voted in block against Sen. Delcídio do Amaral. Remember, this might be the only (and last) chance for the PMDB to ascend to the Presidency with Vice-President Michel Temer (PMDB-SP). In 1992, Itamar Franco became president and he was considered “from the PMDB”. He was first elected Mayor by the MDB in 1966 and reelected in 1972, was elected PMDB Senator in 1974 and joined the PRN to become Collor’s vice-president. After he left the Presidency in 1995 he rejoined the PMDB and was elected MG governor in 1998.

Economists tell us that the GDP retraction in 3rd Q/2015 was very bad and that the retraction/depression will be even worse in the fourth quarter – plus the economic depression will not improve very much in 2016. This means that there might be considerable protest street demonstrations in 2016 – added even more gasoline to the impeachment fire. Because the PT literally threw Sen. Delcídio do Amaral in the “trash bin”, he is very angry and desolate. If he decides to do plea bargaining testimony to reduce his prison sentence, this could be devastating for Pres. Dilma. It is possible that still more damaging information may be revealed by the Lava-Jato and Zelotes investigations.

Because the whole Collor impeachment process lasted seven months, it is possible that the Dilma impeachment might only end in June 2016 – just before the 2016 municipal election campaign begins. Most probably, the already tarnished image on the PT will get even worse – to the point that the PT might try to convince Pres. Dilma to resign “for the good of the party” or desperate pt deputies and senators might even decide to vote against her to enhance their image with “their” electorates.

This scenario would be reminiscent of the case or Pres. Richard Nixon in August 1974, when his impeachment seemed eminent. Republican Party leaders came to him and pleaded – “For the love of God, you must resign, or our party will be defeated badly in the November elections”. Nixon agreed and resigned but with the assurance the as President, Gerald Ford would quickly issue him a presidential pardon. Conclusion: Despite all his peccadilloes, Richard Nixon was much more a “statesman” than Dilma Rousseff will ever be.

What about Lula? ➔ The whole impeachment process may have a very negative impact on Lula’s chances in 2018. On 2nd December, Lula said that Cunha’s action was “insane”.

A Cartoon by SPONHOLZ

Lula – “That’s how it goes, to save the King, you sacrifice the Queen”.

⇒ Impeachment: The creator abandons his creation
The Process Begins ➔ “The Day After” – Thursday, 3rd December - the 1st Secretary of the Chamber, Dep. Beto Mansur (PRB-SP) read the 300-page impeachment request (a 200-page summary) to the full Chamber (3.5 hours). Then, Chamber President Eduardo Cunha read his parecer (report, brief) he used to accept/install the impeachment proceedings in the Chamber on 2nd December. The sequence then requires 48 hours for the installation of the Special Impeachment Committee (on Monday, 7th December with 65 members. In this interim, the party floor leaders in the Chamber will indicate their party’s respective “quota” of deputies (and alternates) to compose this committee that will have 65 members. Cunha began articulating this with the Chamber party leaders on 3rd December.

It is planned that this Committee will be officially installed in the Chamber in extra-ordinary session set for 6:00 p.m. on Monday, 7th December. The next day, this Special Committee will choose
its President and Reporter. Counting this first session, Pres Dilma will have ten sessions to prepare and deliver her defense to this Committee.

The composition of this Special Committee should be as follows:

<table>
<thead>
<tr>
<th>Supposedly</th>
<th>Pró-Government</th>
<th>Opposition</th>
<th>Other</th>
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<tbody>
<tr>
<td>PMDB</td>
<td>8</td>
<td>PSDB</td>
<td>PHS</td>
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<tr>
<td>PT</td>
<td>8</td>
<td>PSB</td>
<td>PTN</td>
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<td>DEM</td>
<td>PMN</td>
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<td>4</td>
<td>SD</td>
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<tr>
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<td>4</td>
<td>PSC</td>
<td>PTC</td>
</tr>
<tr>
<td>PTB</td>
<td>3</td>
<td>PPS</td>
<td>PTdoB</td>
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<tr>
<td>PRB</td>
<td>2</td>
<td>PV</td>
<td>PMB</td>
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<tr>
<td>PDT</td>
<td>2</td>
<td>PSoL</td>
<td>Rede</td>
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<tr>
<td>PROS</td>
<td>2</td>
<td></td>
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<tr>
<td>PCdoB</td>
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Although Pres. Dilma has assumed a “stiff upper lip” posture, on 4th December deputy vote-counting revealed that Dilma only has 124 “firm” votes and her Opposition counts 206 votes (342 are needed for impeachment). This “count” reveals that 4 PT deputies and one PCdoB might vote in favor of her impeachment. Obviously, the “swing” party is the PMDB. “Versions” in Brasília affirm that a national union coalition is being articulated to support Vice-President Michel Temer when he becomes President (without Dilma, without Cunha and possibly without Renan Calheiros. Temer would thus start with a “clean slate”.


**The “Voice from the Streets”** ➔ Recently, former President Fernando H. Cardoso predicted that the economic crisis (depression) would get worse in 4th Q/2015 and in 2016 and that this would provoke massive protest street demonstrations against Pres. Dilma. To this end, the very young organizer of the massive protest demonstrations in 2013, Kim Kataguiri (now age 19) – the Coordinator of the MBL-Movimento Brasil Livre has now confirmed this prediction. The first street protests are set for Sunday, 13th December


**Market Reaction** ➔ On Thursday, 3rd December, the market regarding “Dilma’s Dilemma” was considerable – the Ibovespa stock market was up 3.29% and the FX rate declined (the price of the US dollar was down by 2.24%).

**Michel Temer** ➔ Very discrete as is his political custom, Vice-President Michel Temer received PSDB and DEM leaders at his Jaburu residence in Brasilia on Wednesday evening, 2nd December. Reportedly, he is already trying to assemble a government of “national unity”. He was very “reticent” when Pres. Dilma tried to mobilize him against impeachment. The PMDB is “discretely” moving toward disengagement with the Dilma Government. On Friday, 4th December, one of Temer’s
staunch allies resigned his cabinet post (Civil Aviation) ➔ Eliseu Padilha (PMDB-RS). It is reported that the PMDB is now pressuring Tourism Minister Henrique Eduardo Alves to also resign.

The Impeachment Calendar – Now that the “battle at the STF” has subsided, the new conflict is the “battle to establish the impeachment calendar”. The Dilma government has decided that it would be better to advance the impeachment process “right away” before the economic crisis get even worse – and thus wants Congress not to go on its traditional recess in the Holiday period (end of December) and convoke a special session in January. As counterpoint, the Opposition and those in favor of impeachment in the government coalition want to stretch out the calendar as much as possible so that the mobilization of anti-Dilma street protests can have time to gather force especially in February and March.

Fitch & Moody’s? – Most analysts feel that it is “inevitable” that these other risk analysis agencies will decide downgrades for Brazil in the short term. Brazil’s public accounts disarray in 205 is much worse than that in 2014 and these agencies consider that the Dilma government has no possibility of escaping from a worsening economic depression until perhaps late 2017. See ➔ http://oglobo.globo.com/economia/agencias-de-risco-veem-dificuldade-maior-para-promover-ajuste-18216187

The Dilma government is gambling that a “short” impeachment process would avoid a downgrade.

1.2 – Lava Jato “connections”

Remember ➔ Last week the cell phone recording made by Nestor Ceveró’s son of a conversation with Sen. Delcídio do Amaral (PT-MS) was revealed and caused the STF to issue an arrest warrant against Delcídio on 25th November. In this recording, Delcídio affirmed that he could secure a habeas corpus for Ceveró and cited several STF judges and one STJ judge.

On 2nd December, the STJ judge cited by Delcídio – Ribeiro Dantas - showed “his true colors” and voted in favor of converting the prison arrest of Marcelo Odebrecht into “house arrest”. As a result, other STJ Judges asked for vistas so as to be able to study the case further.

As a result of this “episode” at the STJ, the PGR has established a special task force of federal prosecutors to monitor all Lava Jato cases that are appealed to this higher court – in order to avoid a repeat performance by Judge Ribeiro Dantas and any other of his colleagues.

1.3 – New Datafolha poll ➔ Dilma, back in double digits

On Sunday, 29 November, the Folha de SP published the results of the latest Datafolha poll that was conducted on 25-26 November among 3,541 voters with a two-point margin of error. The previous poll was conducted on 4-5 August 2015.
The President’s rejection rate (“Bad/Terrible”) declined 71% → 67%. Her August rejection rate was the worst result (since 1985) and only surpassed by the 68% rejection rate posted by Pres. Fernando Collor in September 1992, just days before he was impeached by the Chamber of Deputies. Her approval rate (“Good/Excellent”) improved slightly and returned to double digits 8% → 10% from the August poll. Some affirmed that Dilma’s rejection rate was a “technical tie” with that of Collor because of the margin of error. His “Good/Bad” spread was -59 points in September 1992, while her spread as -63 points in August 2015. Now, in November, the President Dilma’s “Good/Bad” spread is -57 points – still a “technical tie” with Collor in September 1992.

Corruption ➔ Datafolha asked “What is the worst problem in Brazil?” For the first time “Corruption” topped the list with 34%, followed by Health (16%), Unemployment (10%), Education (8%) and Violence/Public Safety (8%).

Dilma “destiny” ➔ 65% said that Congress should open an impeachment case against Pres. Dilma, but 56% said that she will be removed (down from 64% in April 2015), and 62% said that she should resign.

Eduardo Cunha ➔ 81% of those interviewed were in favor of the President of the Chamber of Deputies, Dep. Eduardo Cunha (PMDB-RJ) being expelled (cassado).

Approval rating for Congress ➔ In September 1993 (the “Budgetgate” scandal), the “Bad/Terrible” rating reached a “high point” of 56%. In early 2015, this disapproval rate reached 50%, but declined to 42% in April, but increased to 53% in November (many members of Congress with corruption cases awaiting judgment at the STF).

Unemployment ➔ 76% said “will get worse”, 11% said “no change”, and 11% “get better”.

Brazil’s “best” President ➔ In November 2015, Lula still topped the list (39%), followed by FH Cardoso (16%), Getúlio Vargas (8%), Juscelino Kubitschek (5%) and Dilma (1%). In 2010, Lula was favored by 71%.

Election Scenarios for 2018 ➔ Datafolha conducted four scenarios for the first round elections and five scenarios for a 2nd round runoff election.
### First Round 2018 – Four Scenarios

<table>
<thead>
<tr>
<th>Candidate/Party</th>
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<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
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<tbody>
<tr>
<td>Aécio (PSDB)</td>
<td>31%</td>
<td>-</td>
<td>31%</td>
<td>-</td>
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<tr>
<td>Alckmin (PSDB)</td>
<td>-</td>
<td>18%</td>
<td>-</td>
<td>18%</td>
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<tr>
<td>Marina (Rede)</td>
<td>21%</td>
<td>28%</td>
<td>21%</td>
<td>28%</td>
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<tr>
<td>Lula (PT)</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
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<tr>
<td>L. Genro (PSOL)</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
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<tr>
<td>E. Jorge (PV)</td>
<td>2%</td>
<td>3%</td>
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<tr>
<td>E. Paes (PMDB)</td>
<td>2%</td>
<td>2%</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Temer (PMDB)</td>
<td>-</td>
<td>-</td>
<td>2%</td>
<td>2%</td>
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<tr>
<td>None</td>
<td>14%</td>
<td>17%</td>
<td>15%</td>
<td>18%</td>
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<tr>
<td>DK/NR</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
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In the **first** scenario, since the June 2015 poll, Aécio Neves declined 35% ➔ 31%, Lula declined 25% ➔ 22% but Marina Silva advanced 18% ➔ 21%. In the **second** scenario, compared with June, Lula declined 26% ➔ 22% and Geraldo Alckmin declined 20% ➔ 18%, but Marina Silva advanced 25% ➔ 28%. The pre-candidate who was most enhanced by the current Dilma economic/political crisis, was not the PSDB candidates, but Marina Silva (Rede) who has been relatively silent in 2015. *Datafolha* opted to include two possible PMDB pre-candidates – Vice-President Michel Temer and RJ Mayor Eduardo Paes who oscillated between 2% and 3%. Regarding the two PSDB alternatives – 2014 presidential candidate Senator Aécio Neves (MG) polled better (31%) than 2006 presidential candidate Gov. Geraldo Alckmin (SP) with 18%.

**Rejection rates** ➔ In this November 2015 poll, Lula has the highest rejection rate (47%), followed by Aécio Neves (24%), Michel Temer 22% and Geraldo Alckmin and Marina Silva (both with 17%).

### First Round 2018 – Five Scenarios

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<th>Candidate (Party)</th>
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<tr>
<td>Aécio (PSDB)</td>
<td>51%</td>
<td>-</td>
<td>-</td>
<td>42%</td>
<td>-</td>
</tr>
<tr>
<td>Alckmin (PSDB)</td>
<td>-</td>
<td>45%</td>
<td>-</td>
<td>-</td>
<td>33%</td>
</tr>
<tr>
<td>Marina (Rede)</td>
<td>-</td>
<td>-</td>
<td>52%</td>
<td>41%</td>
<td>49%</td>
</tr>
<tr>
<td>Lula (PT)</td>
<td>23%</td>
<td>34%</td>
<td>31%</td>
<td>-</td>
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These **five** second round scenarios show that Aécio Neves polled better than Geraldo Alckmin and would win in the first and fourth scenarios. Lula would lose in all three scenarios against Aécio, Alckmin and Marina Silva. The Rede candidate would win against Lula and Alckmin, but would lose (in a close “technical tie”) against Aécio Neves (42%-to-41%).

For the PT, it is becoming more and clearer that former President Lula is a non-viable candidate for the 2018 elections. It is also not very clear whether the PT will be able recruit a viable candidate.
1.4 – Congress approved new fiscal target

On 2\textsuperscript{nd} December, before Chamber President Eduardo Cunha announced that he had accepted an impeachment request, Congress approved a new [negative] fiscal target – a R$119.9 billion deficit (2.1\% of GDP) that the Dilma government hopes will “exempt” Pres. Dilma from accusations of violating the Fiscal Responsibility Law in 2015. \textbf{Remember}: At the end of 2014, the government induced Congress to approve a fiscal deficit in the 2014 budget law.

In January 2015, the government predicted a surplus of +R$ 53.3 billion (1.19\% of GDP). By June this surplus was reduced to +R$ 5.8 billion (0.15\% of GDP). On 27\textsuperscript{th} October, this fiscal target became a -R$ 103.1 billion deficit (1.78\% of GDP) and then a -R$ 119.9 billion deficit on 2\textsuperscript{nd} December.

With this decision, the R$ 11 billion “shutdown” will no longer be necessary.

1.5 – São Paulo Politics

1.5.1 – Gov. Alckmin declined in \textit{Datafolha} poll

On 4\textsuperscript{th} December, the \textit{Folha de São Paulo} published the results of a poll conducted on 25-26 November among 1,350 voters in 47 municípios in the state of SP with a three-point margin of error.

Now in his fourth mandate as São Paulo governor, Geraldo Alckmin declined from a 48\% “Good/Excellent” approval rating in October 2014 to only 28\% in November 2015. In part, this decline is due to the very authoritarian decision to re-arrange public schools in the state to separate elementary, junior high and high school classes in separate schools and in the process close 96 school buildings – 61\% of those interviewed were opposed to this change and 55\% were in favor of the occupation of public schools by students who oppose this change. Also, the recent brutal attacks by SP police against student demonstrators probably impacted the opinions of those interviewed. 

\textbf{See} \url{http://www1.folha.uol.com.br/cotidiano/2015/12/1714813-popularidade-de-alkmin-atinge-pior-marca-aponta-datafolha.shtml}

Apparently, Alckmin took this poll to heart. On 4\textsuperscript{th} December, he suspended the plan to re-arrange SP public schools – a clear victory for the students and their parents. \textbf{AND} Gov. Alckmin fired his state Education Secretary.

1.5.2 – SP Mayor election

It is possible that the PRB pre-candidate for Mayor of SP – Celso Russomanno – might be impeded from filing his candidacy. Russomanno led the latest \textit{Datafolha} poll with 34\% of voter preferences but he has a legal case before the STF. In 2014, he was convicted of corruption in SP [skimming off public funds] and his appeal is at the Supreme Court in the hands of Judge Carmen Lúcia – the designated reporter. If the STF upholds his conviction, he would become ineligible under the 2010 \textit{Ficha Limpa} Law. To impede his candidacy, the deadline for the registry of his candidacy is in August 2016 and the STF decision must be before this date.
See ➞ http://www.revistaforum.com.br/blog/2015/12/stf-pode-inviabilizar-candidatura-de-russomanno-a-prefeitura-de-sao-paulo/

2 – FOREIGN RELATIONS & TRADE

2.1 – November trade surplus

On 1st December, MDIC released Brazil’s foreign trade balance for November ➞ +US$1.197 billion. November 2014 posted a trade deficit of -US$ 2.427 billion. This was the smallest trade surplus since April 2015 -- +US$ 490 million. In 2015, the trade surplus no stands at US$13.442 billion and MDIC predicts that the 2015 surplus will exceed US$ 15 billion versus a trade deficit of -US$ 4.348 billion in 2014.

2.2 – Mauricio Macri ➞ Brasília

On Friday, 4th December, the President-elect Mauricio Macri visited Brasília for his first contact com Pres. Dilma Rousseff. Macri will take office on Thursday, 10th December – before the Mercosur summit on 21st December, but after the legislative elections in Venezuela on 6th December.

There are indications that Paraguay might support Macri’s proposal that Venezuela be expelled from Mercosur. In this case, if Uruguay also supports Macri’s proposal, this will leave Dilma “alone” in her stubborn support of the Maduro regime.

Photo: Alan Marques/Folhapress

President-elect Macri & Pres. Dilma

Macri as finalized his new 25-member cabinet for his swearing in on 10th December. The new cabinet was presented in a ceremony at the Buenos Aires Botanical Garden this week. Surprisingly, he appointed one of his rivals – Martin Lousteau – to be Argentina’s Ambassador in Washington. Lousteau was Cristina Kirchner’s Minister of Economy (2007-2008) but they had a “falling out”. He
declared that he would vote for Macri in the 2nd round election. Macri is counting on Lousteau to act effectively to resolve the conflict with the so-called “vulture funds” in NY courts.

Pres. Dilma invited Macri to visit Brazil after he becomes president – in a full state visit with a large delegation of cabinet ministers and business leaders. Reportedly, they “discussed” the situation in Venezuela but Macri was not able to convince Pres. Dilma to modify her position.

At this short encounter, Pres. Dilma was accompanied by MIDC Minister Armando Monteiro, her foreign affairs advisor Professor Marco Aurélio Garcia, Brazil’s ambassador in Buenos Aires Everton Vargas and the MRE Sub-Secretary for South American Affairs Estivallet de Mesquita. Brazil’s Foreign Minister, Mauro Vieira, did not attend because he is in Paris at the COP-21 meeting.

President-elect Macri was accompanied by his new Foreign Minister Susana Malcorra; his Chief of Staff, Marcos Peña; his foreign affairs advisor, Fulvio Pompeo; and the Argentine ambassador in Brasília, Luis Maria Kreckler.

2.3 – NY court indicts 19 in FIFA scandal

On 3rd December, US Justice Minister (Attorney General) Loretta Lynch announced another group 19 FIFA (current and former) executives were being indicted – including former CBF president Ricardo Teixeira (1989-2012) and current CBF President Marco Polo del Nero. Nero immediately resigned his post that was assumed by Federal Deputy Marcus Vicente (PP-ES). Teixeira and Nero are now on the “arrest list” of Interpol and thus can’t leave Brazil.

3 - REFORMS

3.1 – Congress over rides veto of “Lei da Bengala”

Recently, Congress passed the PEC da Bengala that extended the retirement age of STF judges from age 70 to 75 and thus prohibited Pres. Dilma from appointing any new Supreme Court judges in her second term – several would reach age 70 before 31st December 2018. Congress then decided to extend this five-year extension of the mandatory retirement age to all public servants – but Pres. Dilma vetoed this measure in the name of “fiscal austerity”. On Tuesday, 1st December, Congress overrode this veto.


4 – PRIVATIZATION & REGULATION

Nothing this week.
5 - ECONOMICS

5.1 – Brazil’s GDP retracts -1.7% in 3rd Q/2015

On Tuesday Morning 1st December, IBGE released the GDP data for the third quarter 2015 ➔ yet another retraction, this time -1.7% QoQ and -4.5 YoY. This retraction was worse that that predicted by 44 economists surveyed by Bloomberg News ➔ -1.2%. Bloomberg also surveyed 5 economists regarding Brazil’s 2015 GDP (including the 4th Q/2015). The prediction was a retraction of -3.9% and -2.04% in 2016. It is quite possible that the 2015 retraction might be even larger. Silvia Matos at the FGV/Ibre estimates that the retraction in 4th Q/2015 will be -5.0% YoY.

The economic indicators MoM (September ➔ October 2015) forecast a larger GDP retraction in 4th Q/2015 – Cardboard sales (-4.10%), Traffic on Highways (-1.40%), Auto Sales (-37.4%), Auto Production (-30.1%), Truck Sales (-52.5%), Exports (-12.4%), and Imports (-30.0%).

BNP Paribas uses the word “depression” rather than “recession” and projects a GDP retraction of -3.8% in 2015. Credit Suisse projects the GDP retraction in 2016 at -3.5%. Sérgio Vale of MB Associates sees this economic decline extending into 2017.

Former president Fernando Henrique Cardoso predicts that because of a worse economic decline in 2016, Brazil will witness more and larger street demonstrations against the Dilma government déjà vu 2013. The Dilma government is very concerned that this will become a strong motivation in favor of impeachment.

IBGE detailed the GDP decline by sectors (QonQ) ➔ Industry (-1.3%), Services (-1.0%), Agriculture (-2.4%), Family consumers (-1.5%) Investments (-4.0%), Exports (-1.8%) and Imports (-6.9%). Ironically, the only sector with “positive” growth was Consumption by the Government (+0.3%). Consumption of electricity (industry and residences) was down -3.1%.

Economists are predicting that the GDP retraction will be worse in 4th Q/2015 ➔ -5.0% YoY.

5.2 – Public accounts

On 30th November, the government announced that the October Primary Deficit was -R$ 11.5 billion or 0.71% of GDP for the 12-month period. This was less than the -R$ 12.9 billion result predicted by 20 economists survey by Bloomberg News. This was the worst economic decline since this data series began in 1996.
In an effort to avoid violating the fiscal responsibility law (that might be grounds for impeachment), Pres. Dilma and Finance Minister Joaquim Levy have asked Congress to revise the 2015 annual budget law to include a -R$ 120 billion deficit – to get the President “off the hook”. In December 2014, Pres. Dilma also asked Congress to revise the 2014 budget law to accommodate a deficit – to no avail, as the TCU recommended to Congress her 2014 accounts be rejected.

5.3 – Life expectancy increases

On 1st December, IBGE announced the Brazilians’ life expectancy had increased from 74.9 years to 75.2 years according to the new Mortality Table. This “good news” produced “bad news” for retirement benefits for those who retire under the Social Security Factor [Fator Previdenciário]. This new Mortality Table will be used to calculate the retirement benefits for those who retire between 1st December 2015 and 30th November 2016. Before 1st Dec/2015, the factor was 0.8018 (proportion of the benefit, and 0.7952 through 30th Nov./2016.

5.4 – President of Petrobras Adm. Council resigns

On Monday, 30th November, Petrobras received yet another blow as the President of its Administrative Council, Murilo Ferreira resigned. He had been accumulating this post with the Presidency of Brazil’s largest mining firm – Vale.

As reported previously by Brazil Focus, Vale is in very deep trouble because of Brazil worst environment disaster ever occurred in Mariana, MG when a dam holding a huge volume of iron ore refining rejects burst and released a tsunami of mud down the Rio Doce valley. This Samarco iron mine is jointly owned by Vale and BHP Billiton. Apparently, Mr. Ferreira decided that he needed to return to Vale full time.

5.5 – November auto sales – up (slightly)

On 1st December, Fenabrave announced that 189,000 vehicles had been sold in November – a +2.2% increase over sales of 185,000 in October. In the January-November period, 2.2 million units were sold, down -24% YoY. GM’s Onix model was the top seller 11,991 units in November.

5.6 – Industrial Production

On 3rd December, IBGE released data on Industrial Production for the month of October, -11.7% YoY and -0.7% MoM. The rejections by sector over the 12-month period were Capital Goods (-22.3%), Consumer Goods (-8.6%), Industry in General (-7.2%) and Intermediary Goods (-4.4%).