

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

CEO, DevryBV Sustainable Strategies

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes

Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados (McDonald's)

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

Senior VP, Corporate Affairs,
Royal Caribbean Group

Jon E. Huenemann

Council Member,
GLG Inc.

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Senior Director, Americas
Int'l Gov't Relations, Exxon Mobil

Barbara Kotschwar

Executive Director, Visa Economic
Empowerment Institute

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Beatrice Rangel

Director,
AMLA Consulting LLC

Jaana Remes

Partner,
McKinsey Global Institute

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

President,
IESA

Andrés Rozental

President, Rozental &
Asociados

Shelly Shetty

Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

Will Bolsonaro's Auxílio Brasil Program Work?



The government of Brazilian President Jair Bolsonaro is seeking to create a new welfare program, known as Auxílio Brasil. // File Photo: Brazilian Government.

Q Brazilian President Jair Bolsonaro's government on Aug. 9 submitted legislation to Congress to create Auxílio Brasil, an initiative designed to replace the Bolsa Família social welfare program. Bolsonaro has said the new program will increase benefits by 50 percent over Bolsa Família and that it would provide bonuses for beneficiaries who get a job, in addition to other benefits. How likely is Auxílio Brasil to win approval in Congress? How will the government pay for it, and will it saddle the country with a higher debt load? To what extent would the program help the poorest Brazilians, and how much will it increase Bolsonaro's chance of re-election?

A Leandro Teodoro Ferreira, special legislative coordinator for the São Paulo City Council: "Cash transfer programs focused on poverty are of extraordinary importance in Brazil. Although it has coverage and resource limitations, the social safety net was central during the Covid-19 crisis for the payment of emergency aid. Brazilian civil society has been discussing necessary modifications in social transfers to reduce poverty and to push for an inclusive economic recovery. President Jair Bolsonaro, however, has made an effort to modify the Bolsa Família program and create a confusing range of benefits under the name of 'Auxílio Brasil,' by submitting a provisional measure or an executive order of immediate effect to be confirmed by the National Congress. With a solid parliamentary front for votes of this nature, there are good chances that Congress will approve this measure. For the poorest, it is essential that the amount transferred and the number of those

Continued on page 2

TODAY'S NEWS

POLITICAL

Haiti's National Police Deploys More Units to Protect Aid

Haiti's National Police said it has deployed additional units to protect aid for earthquake victims south of Port-au-Prince. Gangs and desperate residents have looted aid trucks and otherwise disrupted aid shipments.

Page 2

BUSINESS

At Least Five Killed in Fire at Pemex Platform

At least five people were killed in a fire at an offshore platform of Mexican state oil company Pemex. The blaze also cut the company's oil production.

Page 2

ECONOMIC

El Salvador Won't Mandate Use of Bitcoin: Bukele

El Salvador will not require acceptance of Bitcoin, said President Nayib Bukele. The country recently designated the digital currency as a legal tender.

Page 3



Bukele // File Photo: Salvadoran Government.

POLITICAL NEWS

Haiti's National Police Deploy More Units to Protect Aid

Haiti's National Police force said Monday that it had dispatched more units south of Port-au-Prince in order to protect aid shipments destined for victims of the country's recent earthquake, the Associated Press reported. The National Police's announcement came a day after powerful gang leader Jimmy Cherizier, also known as "Barbecue," vowed to help communities hurt by the 7.2-magnitude quake, which struck on Aug. 14, killing more than 2,200 people. Gangs in the area have disrupted aid shipments, including by hijacking aid trucks, forcing aid to be sent to the area by planes and helicopters and delaying the delivery of food and supplies. Desperate residents have also looted trucks filled with food, The Wall Street Journal reported. Additionally, two physicians, including a surgeon treating victims of the earthquake, were kidnapped in Port-au-Prince, and members of a Colombian search-and-rescue team departed Haiti on Sunday over fears for their safety, the newspaper reported. Marie-Michelle Verrier, a spokeswoman for the Haitian National Police, said the police

commander plans to "strengthen security in the Great South," as the area south of the capital is known, the AP reported. "Several support units were deployed there on the roads and at the city level," Verrier told the AP. "The presence of the police will promote the deployment of aid convoys, but also the protection of disaster victims and better distribution of relief kits by state authorities and representatives of the international community." The earthquake, which was followed within days by a hurricane that complicated relief efforts, came on the heels of last month's assassination of Haiti's president, Jovenel Moïse. On Monday, a Haitian justice official named a new judge to oversee the investigation of Moïse's killing. Judge Garry Orélien will oversee the case, Magistrate Bernard Saint-Vil told the AP.

BUSINESS NEWS

At Least Five Killed in Fire at Pemex Platform in Gulf

At least five people were killed in a fire at one of Mexican state oil company Pemex's offshore platforms in the Gulf of Mexico on Sunday, the Financial Times reported today. The 80-min-

NEWS BRIEFS

Drug Cartel Founder Arrested in Mexico After Deportation From U.S.

Drug cartel founder Eduardo Arellano Félix was rearrested as he arrived in Mexico on Monday after being deported from the United States, where he served most of a 15-year prison sentence, the Associated Press reported. Prosecutors in Mexico said Arellano Félix is facing organized crime and drug trafficking charges in his home country. He is one of several brothers who founded the Tijuana-based Arellano Félix cartel, which flooded the United States with hundreds of tons of cocaine and marijuana from Mexico and Colombia, the AP reported.

Former Mexican Presidential Candidate Anaya Flees Country

Ricardo Anaya, who was among the candidates who ran against now-President Andrés Manuel López Obrador in 2018, has fled Mexico, saying criminal charges he faces are politically motivated, the Associated Press reported Monday. López Obrador denied the claims of persecution and said the charges relate to accusations that legislators such as Anaya were bribed to vote for the country's 2013-2014 energy reforms.

Brazil's Cosan Enters Mining Sector Through Venture With Paulo Brito

Brazilian energy group Cosan has entered the mining sector in a joint venture with a unit of Paulo Brito Group, the controlling shareholder of Aura Minerals, to explore for and transport iron ore, Reuters reported Monday, citing a securities filing. Cosan said it will co-control the new company alongside Paulo Brito Group. Former Vale and CSN executive Juarez Saliba de Aleva is slated to head the new joint venture, which will own exploration rights for mining assets in three minerals projects.

FEATURED Q&A / Continued from page 1

eligible be high, but the announcement of a 50 percent increase in the average benefit may be insufficient due to inflation. This measure does not set the quantities to be paid, leaving that decision to the president himself, which makes projections on coverage and costs impossible. Brazilian fiscal rules will allow for an increase in expenses to pay benefits, but this will result in higher debt. Bolsonaro is managing the budget with an eye on the 2022 presidential election after his approval rose with the payment of emergency aid during the Covid-19 pandemic. Specialists, members of Congress and movements critical of the government

hope to prevent Congress from dismantling structures built in the last 20 years that were fundamental in alleviating poverty."

A **Gabrielle Trebat, managing director for Brazil and Southern Cone at McLarty Associates:**
"President Bolsonaro's rebranded social welfare program, Auxílio Brasil, seeks to provide economic relief to the poorest Brazilians by increasing welfare benefits by as much as 50 percent or 300 reais (\$56) per month. While the proposed measure enjoys support in Congress, including from the opposition Workers' Party (PT), paying

Continued on page 4

ute fire, which was set off by an explosion at Pemex's E-Ku-A2 platform, cut the company's production by about 420,000 barrels per day (bpd) due to a lack of natural gas to reinject into the crude fields, Reuters reported, citing a company document. "Right now, the platform is still not operating, so they can't continue to extract oil," Octavio Romero, the CEO of Pemex, said in a press conference on Monday. "The wells are closed. And we hope to resume production as soon as possible," he said, adding that the 125 wells that are currently offline at the platform should restart operations within "days." The fire was the second at a Pemex offshore platform in less than two months, prompting concern about the company's safety protocols, Reuters reported. "It was not a good weekend," Mexican President Andrés Manuel López Obrador said during his daily press conference on Monday, in reference to the deaths at the Pemex facility. The company said the fire did not occur because of a lack of investment in maintenance, pointing out that it recently increased the budget for those purposes, the Financial Times reported.

ECONOMIC NEWS

El Salvador Won't Mandate Use of Bitcoin: Bukele

Salvadoran President Nayib Bukele confirmed on Monday that the use of Bitcoin as legal tender in the country will not be mandatory. In a post on Twitter, Bukele said the government would not require anyone to receive the cryptocurrency as a form of payment. "If someone wants to continue to carry cash, not receive a sign-on bonus, not win over customers who have Bitcoin, not grow their business and pay commission on remittances, they can continue to do so," Bukele wrote. The president did not reference Article 7 of the Bitcoin Law, which is set to come into effect in September and stipulates that all economic actors in El Salvador must accept Bitcoin as a form of payment when offered by the person acquiring goods and services, CoinDesk reported. Ernes-

THE DIALOGUE CONTINUES

Is El Salvador's Bukele Effectively Handling Gangs?

Q Salvadoran President Nayib Bukele in July vowed to double the country's number of military personnel in the next five years to 40,000 troops in a bid to regain control of territories that gangs have dominated for decades. Homicides in El Salvador increased by about 10 percent in the first half of the year as compared to a year earlier, while 2020 registered a historic low in the country's homicide rate, according to preliminary government figures released in July, EFE reported. How well has Bukele's administration responded to gang violence in El Salvador? What accounts for last year's decline in the homicide rate and the sharp increase so far this year? To what extent will strengthening the military help El Salvador more effectively fight gangs, and what are some potential downsides of this strategy?

A Christine Wade, professor of political science and international studies at Washington College in Chestertown, Md.: "President Bukele recently announced the most significant increase in the size of El Salvador's armed forces since the country's Civil War—and his reasoning is specious. His announcement reveals the growing power of the military under his administration. El Salvador's 1992 peace accords mandated the reduction of the army and clearly specified the functions of the military and police. However, for decades Salvadoran presidents

have relied on the military to assist with policing duties (justified under extraordinary circumstances) in clear violation of the peace accords. This militarization has occurred at the expense of professionalizing and strengthening the police. There is little evidence to support Bukele's claims that his Territorial Control Plan is the reason for the reduction in homicides. The plan, which is more tweet than document, has not diverged significantly from past anti-gang policies. Analysts suspect that the reduction is the result of a pact between Bukele and gangs, a pact among gangs, Covid-19 or a combination of the three. While homicides have decreased over the past two to three years, disappearances have increased at an alarming rate. With homicides at historic lows, Bukele either doubts the sustainability of this reduction or has other reasons for military expansion. Bukele, who has shown little regard for rule of law, has demonstrated an affinity for the armed forces, using them as props on a number of occasions and preventing access to military archives in the El Mozote case. Critics fear that Bukele will use the military to shore up political power. Returning the military to war-time levels does little to dispel that fear."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Aug. 19 issue of the Advisor.

to Sanabria, a spokesman for Bukele, told the website that "the president has been clear in saying that the use of bitcoin is not mandatory," but he did not detail whether Article 7 would be eliminated or otherwise modified. Bukele has said the recognition of Bitcoin as legal tender will be groundbreaking for financial devel-

opment and inclusion, Tim Jacklich, senior analyst at Americas Market Intelligence, told the Advisor in a Q&A published June 15. "Upon a closer look, this policy is a risky gambit, likely offering some benefits but also exposing the Salvadoran economy to substantial risks," Jacklich added.

FEATURED Q&A / Continued from page 2

for the program remains a significant hurdle. The outlook is contingent upon passage of a proposed constitutional amendment that would permit the repayment of precatórios (judicially ordered payments that federal and local governments owe investors) in multiyear installments, freeing as much as 33.5 billion reais by 2022. If the amendment fails, the government would be forced to

“**While the proposed measure enjoys support in Congress ... paying for the program remains a significant hurdle.**”

— Gabrielle Trebat

pursue more drastic budgetary measures, exacerbating the country's debt. The government has already abandoned initial efforts to raise average transfers to 400 reais due to budgetary inviability. The Covid-19 pandemic has worsened poverty rates and resulted in a record unemployment rate of 14.7 percent in Brazil. In the context of a series of vaccine corruption scandals and historically low approval ratings, President Bolsonaro's proposal is interpreted as a move to shore up voter support ahead of the 2022 election. Re-branding Bolsa Família with his own program could help neutralize his expected opponent, former President Lula (who introduced Bolsa Família in his first term), and boost support in the vote-rich and impoverished Northeast region of the country. Nonetheless, the program alone would not ensure Bolsonaro's re-election. The government's mounting debt obligations worry investors, and the value of the real has depreciated in recent days, with onlookers seeing the proposal as a short-term solution at the expense of pro-reform campaign promises. The situation underscores the urgent need for administrative

and tax reforms to sustainably expand social programs and provide economic relief to the poorest Brazilians.”

A **Tereza Campello, visiting professor at the School of Public Health at the University of São Paulo and former minister of social development of Brazil:** “Under the Bolsonaro administration, the Covid-19 pandemic and an epidemic of hunger coexist and fuel each other. At least 43 million Brazilians are unable to get enough to eat. According to IBGE, hunger returned to Brazil in 2017 and 2018 because of the interruption of successful policies to combat poverty, and the pandemic has worsened the situation. Tackling this catastrophic problem should be the objective of any cash transfer program. It should be big enough to cover the millions of people left unemployed and underemployed by the economic crisis before and after Covid-19, as well as guarantee them sufficient food. The new program that President Bolsonaro proposed without any debate with society or Congress does not address any of these challenges. Income transfer programs in Brazil currently cover 39 million vulnerable beneficiaries. According to Bolsonaro's announcement, this number will drop to 17 million, thus excluding 22 million people. Until now, the cost of the new program and how much the families will receive are unknown. Bolsonaro's proposal destroys Bolsa Família, which is internationally recognized for being efficient, large scale, easily monitored and having clear rules. It extinguishes a solid program that has been executed for 18 uninterrupted years, and in its place it implements a complicated, confusing model full of extraneous 'decorations' that will not work. There are no known rules, no implementation timeframe and no defined budget or source of sustainable funding. It is a venture that could put 100 million Brazilians at risk.”

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org

Leticia Chacón
Reporter
lchacon@thedialogue.org



Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Santiago Cantón, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Selina Ho, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia Program
Manuel Orozco, Senior Fellow
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development

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

Subscription inquiries are welcomed at ebrand@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.