Looking Ahead ➜ What to watch for?

- **23rd May** -- Petrobras Adm. Council should approve Pedro Parente
- **23rd May** -- Central Bank to announce March IBC-Br ➔ -___% MoM
- **23rd May** -- IBGE: April PME unemployment ➔ ___%
- **23rd May** -- *Caged* data ➔ ______ jobs lost in April
- **23rd May** -- IBGE: IPCA-15 ➔ +___% *versus* +___% in April
- **25th May** -- SRF ➔ tax collections ___% in April
- **25th May** -- IMD to release World Competitiveness Ranking
- **25th May** -- FGV to release data from ICI-Industrial [Sector] Confidence Index
- **26th May** -- *Corpus Christie* – national religious holiday
- **26-30 May** -- 33rd LASA Congress in New York City – 50 years of LASA
- **30th May** -- IGP-M for May ➔ +___%, *versus* +___% in April
- **30th May** -- Memorial Day observed [holiday in the US]
- **30th May** -- IBGE to announce GDP data for 1st Q/2016 ➔ -
- **31st May** -- Central Bank to announce public account data for April:
  - **31st May** -- Public Accounts for April
  - **1st June** -- Trade Balance for May ➔ US$ _____ billion
  - **3rd June** -- IBGE – IP data for April ➔ ___% MoM
  - **3rd June** -- IBGE-PNAD to announce unemployment rate for February-April period
  - **3rd June** -- Central Bank ➔ US$ ____ billion FX flow in May
  - **6th June** -- FGV to announce IGP-DI for May, %, *versus* % in April
  - **6th June** -- Anfavea ➔ ______ auto units produced in May, ___% MoM & ___% YoY
Observation: Next week I will be in New York City attending the meeting of the Latin American Studies Assoc. (LASA). Therefore, the next issue of Brazil Focus will be sent out on Friday, 3rd June.

1 - POLITICS

1.1 – Temer's Economic Team

On Tuesday, 17th May, Finance Minister Henrique Meirelles began indicating the new economic team with the appointment of the new Central Bank President – Ilan Goldfajn – who will replace Alexandre Tombini after he is confirmed by the Senate. Goldfajn, who was born in Haifa, Israel, was a BC director under Meirelles during Lula’s presidency (2003-2010). Currently, he is the Chief Economist at Itau Unibanco. Some current BC directors might be replaced after Goldfajn is confirmed.

Another former BC director under Meirelles, Carlos Hamilton Vasconcelos Araújo, was named SPE-Secretariat for Economic Policy at Finance. Economist Mansueto Facundo de Almeida Jr. (currently on leave from IPEA) was named SAE-Secretariat for Economic Monitoring.

Michel Temer's new cabinet arrangement merger the Social Security Ministry into Finance and Meirelles named IPEA economist Marcelo Abi-Ramia Caetano to head the new Social Security Secretariat at Finance.

After much criticism regarding his “white male” cabinet, on Monday, 16th May, Pres. Michel Temer named economist Maria Sílvia Bastos Marques to be President of BNDES – Brazil’s economic and social development bank. Previously, she had occupied a BNDES Directorate (1991-1992) and will be the first woman President of this bank. She also was President of Brazil's privatized steel mill (CSN) in Volta Redonda (1996) and Finance Secretary of the city of Rio de Janeiro (Mayor Cesar Maia). She also coordinated the EOM-Municipal Olympic Enterprise (2011-2014) that supervised the construction of the installations for the 2016 games in Rio.

Although the BNDES is subordinated to the Ministry of Planning, it is considered as “first echelon” in the Brazilian government.

Maria Sílvia has a BA in Public Administration from EBAP-FGV and a MA and doctorate from the same institution. She also was economics professor at PUC-Rio and was head of the Secretariat for Economic Policy at the Finance Ministry.


More women? Reportedly, the articulators for the new Temer administration sounded out Claudia Costin to be Minister of Education and Culture or National Secretary of Culture – but she refused. Ms. Costin is the Director for World Education at the World Bank (through 2018) and is programmed to teach at the Harvard School of Education in the fall semester. Temer’s team has
reportedly invited the Rio Secretary for Culture, Adriana Rattes, to be the new National Secretary for Culture. **BUT** after SIX women refused this post, Temer appointed the Municipal secretary for Culture in Rio – diplomat Marcelo Calero. **However,** many politicians have counseled Temer to revise this decision and re-create the Ministry of Culture. Senator Fernando Collor (PTC-AL) affirmed that this problem was a “big headache” in his government. Senate President Renan Calheiros (PMDB-AL) said that this was an important and very “vocal” sector.

The Presidents of the Banco do Brazil and CEF are yet to be determined. Aldemir Bendine, the current President of Petrobras has been advised that he will be replaced. On Thursday, 19th May, Pres. Temer picked Pedro Parente to by the new **Petrobras President.** He served in several high positions in the second term of FHC. Parente affirmed that he had accepted this “mission” because Temer had given him a “free hand” and that means that Petrobras will have no more Directors “indicated” by political parties and that the government (and State) will no longer interfere in Petrobras’ policy decisions. The latter will be made based on benefits for shareholders. Thus, the price structure for fuel prices will be decided exclusively by Petrobras with no interference by the government. Parente’s appointment must be confirmed by the Administrative Council of Petrobras – probably on Monday, 23rd May.

**Planalto waiter fired** ➔ On Friday, 13th May, interim President Michel Temer convoked a meeting of his newly appointed cabinet and the waiter, José da Silva Catalão, served coffee and water at this conclave. Later, the president’s security agents observed that Catalão was relying information about this meeting to suspended Pres. Dilma. Catalão has been serving *cafezinho* at the Planalto Palace since 2003 and was considered to have a close relationship with Lula. As a result, on 18th May, Catalão was fired. During the Collor presidency (1990-1992), then Vice-President Itamar Franco suspected that the man serving *cafezinho* was reporting back to Collor details regarding his conversations – what? With whom?


### 1.1.1 – Difficult relations with the Chamber

Michel Temer’s support coalition in the Chamber is large **but** not well coordinated and is divided into two blocks – the “hard” Temer nucleus (PMDB, PSDB and DEM) and the other smaller parties – self denominated “the Centrão”. The latter chose Dep. André Moura (PSC-SE) to be the Temer government floor leader and threatened to become “independent” if Temer did not agree. The PSC (linked to Evangelicals] now has only 9 deputies. **The Problem ➔** André Moura is considered a *Ficha Suja* deputy with three penel accusations against him at the STF (two accepted) and three other accusations in state and federal courts – including attempted homicide – not exactly the profile for your new floor leader. Moura has been a very faithful supporter of Dep. Eduardo Cunha (PMDB-RJ) who was removed (suspended) from the Presidency of the Chamber by the STF on 5th May because of corruption accusations and obstruction of justice. Reportedly, it was Cunha who articulated the candidacy of Moura with the “Centrão” parties – without consulting the PMDB, PSDB and DEM.

Temer’s second problem with the Chamber is its Vice-President Dep. Waldir Maranhão (PMDB-MA) who with the suspension of Dep. Eduardo Cunha (PMDB-RJ) by the STF has temporarily occupied the Chamber Presidency. However, Maranhão has been unable to preside over any session of the Chamber due to harsh vocal protests by deputies. There are TWO alternatives – 1) Petition the STF to remove Maranhão and convocate new elections for Chamber President; and 2) The Chamber CCJ removes Maranhão and calls for new elections.

Temer received 20 women deputies – In an effort to “repair” relations with women deputies (due to his “all white male” cabinet, Temer received 20 women deputies at the Planalto Palace on 19th May. He affirmed that “after a few months” he would appoint some women to his cabinet and that more women appointed to second echelon positions would be forthcoming. Several of the women affirmed that “With Pres. Dilma had some women in her cabinet, but no dialogue; and now with Temer, we have dialogue but so far no ministries”.

Interim President Temer received 20 women deputies

Senate President Renan Calheiros – indirectly criticized both Temer and the Chamber of Deputies. On 19th May, he affirmed that it would be appropriate if the government floor leader in the Senate could be a woman.

1.2 - Dilma reacts

In addition to her criticisms of foreign Minister José Serra’s harsh reaction to the Alba nations’ rebuff of the interim government of Michel Temer, on Tuesday evening, 17th May, Dilma Rousseff received at her residence (Alvorada Palace) the 22 senators who voted against her impeachment on 11th May. They were charged with the task of lobbying (convincing) some ten senators who voted for impeachment but who are not considered “wavering” to change their position.

STF reacts ➔ On 17th May, STF judge Rosa Weber determined that Dilma Rousseff be officially notified to explain [clarify] her use of the term “golpe” in her political discourse regarding her impeachment that occurred within Brazilian Law and the 1988 Constitution. After she in notified, the suspended president will have ten days to the STF determination. This was brought to the STF by the Prosecutors of the Chamber of Deputies because of a request by the PP and its deputy Júlio Lopes (RJ) – questioning “what consists of a “golpe” and the reasons why the president did not seek out any institution to avoid what she considers a “golpe”.
1.3 – Agri-business

On 16th May, the new Minister of Agriculture, Sen. Blairo Maggi (PP-MT) – known as “The King of Soy” – criticized the bureaucratic structure of his ministry, saying that it ties up urgent decisions that need to be made quickly. For example, he needed to quickly “liberate” stocks of corn held by the Ministry of Agriculture for the production of hogs and chickens. He said – “These hogs and chickens can’t wait 60 days for this bureaucratic decision”.

1.4 – Zelotes

On 16th May, the Zelotes investigation entered a new phase with the Federal Police indictment of the President of the Grupo Gerdau, André Gerdau, and 18 other persons under investigation. Operation Zelotes has been investigating “leniency” for tax evasion in return for bribes at CARF. Brazil’s steel giant that operates in 14 countries, Gerdau is accused of offering bribes to CARF employees in return for “amnesty” regarding R$ 1.5 billion in tax evasion. The other 18 persons indicted are Gerdau employees, lawyers, lobbyists and CARF employees.

1.5 – Lava Jato

On Wednesday morning, 18th May, Federal Judge Sérgio Moro sentenced Lula’s former Chief of Casa Civil, José Dirceu de Oliveira e Silva to 23 years and three months in prison for crimes committed in the Lava Jato corruption scheme – “passive corruption”, participation in a criminal organization and money laundering. This sentence involved the payment of R$ 56.8 million in bribes by the Engevix construction firm to obtain contracts at the Cacimbas Gas plant, the Presidente Bernardes Refinery, the Getúlio Vargas Refinery and the Landulpho Refinery. In addition to José Dirceu, ten other persons were sentenced to prison terms – including former PT National Treasurer João Vaccari Neto.

Photo: Rodolfo Buhrer/Reuters

José Dirceu

Dirceu had already been convicted and sentenced to a prison term by the STF in the mensalão case and was under house arrest when he was arrested (again) with the Lava Jato investigation in August 2015. Judge Moro observed that Dirceu had regularly received these bribe payments during the mensalão investigation. So far, this is the longest prison term for any of those convicted and sentenced in the Lava Jato investigation. Dirceu’s lawyer, Roberto Podval, affirmed “This is a life sentence. . . This is a sentence against the ‘symbol’ he represents, not in terms of the crimes allegedly committed by Dirceu”. Dirceu is already 70 years old.
1.5.1 – Operation Janus

On 20th May, the Federal Police launched Operation Janus and carried out 4 judicial search-and-seize orders and two for coercive testimony – in Rio and Santos & São Paulo, SP. This operation is investigating the practice of “traffic of influence by persons linked to former president Lula. One of the two persons conducted for coercive testimony was Tiguara Rodrigues dos Santos, the nephew of Lula’s first wife.

This investigation focuses on Odebrecht contracts with Tiguara’s “small firm” were used to pay illicit “advantages”. For example, Tiguara’s small firm (Exergia Brasil) was hired to reform the Cambambe hydroelectric installation in Angola. This task received US$ 464 million financing from the BNDES and paid US$ 3.5 million for “services rendered”. According to a PGR investigation, between 2011 and 2014, Odebrecht had paid bribes to obtain financing for projects from BNDES. The PGR considers that the then BNDES President, Luciano Coutinho and Lula could be accused traffic of influence (Article 332 of the penal code).

➔ Stay tuned – the Federal Police and PGR are “closing in” on Lula.

1.5.2 – Edinho Silva

Until Dilma was suspended on 12th May, her 2014 campaign treasurer, Edinho Silva had the “constitutional shield” against being tried because he had “ministerial status” as the President’s Minister of Social Communication (SECOM). But once he lost this status, STF Judge Teori Zavascki determined that his case be transferred to a first level federal judge in Brasília. Most probably, Zavascki will also transfer the cases of other Dilma ex-ministers (with cases at the STF) to Judge Sérgio Moro in Curitiba – including Lula.

1.6 – Santo André Judge condemned PT

On 13th May, State Judge Genilson Rodrigues Carreiro of the 1st Circuit of Public Finance in Santo André, SP convicted the PT for corruption convicted the PT to return R$ 3.5 million to the city government of Santo André, SP and assessed a R$ 20.5 million fine against the national PT directorate regarding the scheme of forced bribes against the Santo André bus companies in order to renew their municipal contracts. The judge condemned Gilberto Carvalho was then the Secretary of Government of the Santo André municipal government, as well as businessman Ronan Maria Pinto (already under arrest in Curitiba), Linger Luiz de Oliveira (then municipal secretary) and Sérgio Gomes da Silva [Sombra]

1.7 – Legalize “games of chance” [gambling]?

Because Brazil is seeking to increase federal tax collections, Tourism Minister Henrique Alves (PMDB-RN) has proposed legalizing “games of chance” in Brazil. This would mean reopening casinos, etc. in Brazil that were closed and made illegal in 1946 by Pres. Eurico Dutra (PSD). Immediately, the PGR attacked this proposal that “would open the door for organized crime in Brazil”.

1.8 – Abin Director resigned

The first “fallout” from the re-creation of the GSI-Institutional Security Office attached to Pres. Temer’s office occurred on 16th May when the Director-General of Abin (Brazil’s Intelligence Agency) – Wilson Trezza -- resigned because under the new administration design, Abin would again be subordinated to GSI.

In October 2015, Pres. Dilma abolished the GSI and Abin became subordinated to a civilian unit – the Secretariat for Government. Trezza had been Director-General of Abin since 2008. However, it is possible that the Temer government might be able to convince Trezza to stay on until after the 2016 Olympic Games in Rio.

Trezza wanted direct contacts with the President – as in the case of the CIA (direct liaison with the President) – but he never had any direct encounters with Pres. Dilma. In late April, when it looked like that Temer would soon assume the presidency, Trezza had a direct encounter with Vice-President Temer and expressed the demand by Abin to be attached directly to the President’s office. Temer’s advisors affirmed that “Temer is the President and he alone decides how his administration is organized”. In Brasília, two “anti-Abin” versions have circulated 1) That Abin was responsible for the espionage attempts against Vice-President Temer in 2015; and 2) That Abin had severed all its communications with the intelligence agencies of other nations.

2 – FOREIGN RELATIONS & TRADE

2.1 – Foreign Minister José Serra counter attacked

On Friday, 13th May (his first day as Foreign Minister, José Serra lashed out at the ALBA (Bolivarian Alliance) nations – Venezuela, Cuba, Bolivia, Ecuador and Nicaragua – for their intromission into Brazilian domestic affairs. These nations criticized the impeachment of Pres. Dilma and questioned the “legitimacy” of the Michel Temer government. In a “harsh” note, very different from the traditional Itamaraty “suave” diplomatic language, Serra emphatically rejected the statements by the Alba nations “that voice opinions and propagated falsehoods about internal Brazilian politics”. “As any neutral observer can see, the [impeachment] process was conducted within the norms within the 1988 Constitution”.

The Venezuelan Foreign Ministry had issued a note saying “Venezuela categorically rejects the golpe de estado by the Brazilian parliament via judicial maneuvers by oligarchical and imperialist forces to depose the president and popular sovereignty”.

Serra also vigorously rejected the statement by the Secretary-General of Unasur – Ernesto Samper Pizano -- who was President of Colombia (1994-1998) -- who launched the hypothesis of invoking the so called “democratic clause” of Unasur to suspend Brazil from membership because of a “possible rupture of its democratic system.” Serra’s note replied – “These judgments and interpretations by the Secretary-General are incompatible with his functions and the mandate that he received . . . and exposed his unfounded value judgments and biases against the Brazilian State”. On
On 16th May, Samper responded in kind – “A former President [Colombia] and Secretary-General (of Unasur) will not respond to an interim foreign minister”.

Reportedly, Serra consulted with Pres. Michel Temer who gave his approval for these reactions.

The Union of South American Nations (Unasur) was launched by then Venezuelan President Hugo Chávez as counterpart to the OAS that he said was dominated by the US. Obviously, this reaction by the ALBA nations was articulated by Dilma’s Foreign Affairs Advisor, Prof. Marco Aurélio Garcia. As a result, Venezuela recalled its ambassador to Brazil.

For some reason, El Salvador joined the ALBA nations in rebuking the impeachment of Pres. Dilma Rousseff and recalling its ambassador to Brazil. On 14th May, the President of El Salvador, Salvador Sánchez Cerén affirmed that he would not recognize the Michel Temer government because he considered the suspension of Pres. Dilma a manipulation. He added – “In times past, golpes in Latin America were carried out by the Armed Forces, they were military golpes. What happened now was a destitution [of the President] by the parliament [in Brazil], by the Senate. This way it was political manipulation”. Serra’s reaction reminded El Salvador that Brazil is the largest donor for the social and economic development for El Salvador – the largest in Central America and that El Salvador has a large trade surplus with Brazil.

The President of the Senate Foreign Relations Committee, Senator Aloysio Nunes (PSDB-SP) affirmed “It’s good that these nations can understand that the Brazilian government and Itamaraty are under new management. . . Finally we responded, can you imagine that we could be silent while countries like Cuba and Venezuela try to give lessons about democracy?”

Lula’s Foreign Minister, Celso Amorim said that this type of “radical reaction” is reminiscent of the military period.

FGV professor Matias Spektor observed that Serra’s very harsh reaction was taken to delineate a strong position within the Temer government and to signal a strong rupture with the Dilma government. Also, Serra is competing with two other potential tucano leaders – SP Governor Geraldo Alckmin and MG Senator Aécio Neves.

Dilma reacts ➔ On 16th May, suspended Pres. Dilma Rousseff reacted strongly to the “hard line” used by Foreign Minister José Serra against the ALBA nations – that “he does not the political on moral to invoke the principle of sovereignty” and accused Serra of intromission in the internal affairs of these nations. She also accused Serra of being “submissive to the great powers and as foreign minister will sign treaties and agreements that are detrimental to Brazil’s national interests”. She remembered that Serra has always been “negative” vis-à-vis Mercosul. Apparently, this note was drafted by Prof. Garcia.

Diplomatic Passports (??) – On 18th May, for some reason, Foreign Minister José Serra granted diplomatic passports to Assembly of God Pastor Samuel Ferreira and his wife Pastor Keila Ferreira. Neither occupies any official position at the federal, state or municipal level. However – Samuel Ferreira is involved in the Lava Jato investigation, accused of money laundering for Dep. Eduardo Cunha (PMDB-RJ) via Ferreira’s church in Campinas, SP. Perhaps this “activity” qualified
Mr. & Ms. Ferreira to be granted diplomatic passports. **Detail:** Samuel Ferreira was an active supporter of Serra’s several election campaigns in SP.

**Want more?** On 16th May, Serra ordered the Foreign Office to study the cost of Brazilian embassies and diplomatic posts. Since Lula (2003) the number of posts has increased, but Itamaraty’s share of the federal budget has declined.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Posts</th>
<th>% of Budget</th>
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<tbody>
<tr>
<td>2002</td>
<td>150</td>
<td>0.50</td>
</tr>
<tr>
<td>2010</td>
<td>217</td>
<td>0.33</td>
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<td>2015</td>
<td>236</td>
<td>0.13</td>
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Apparently, Serra does not foresee a great budget increase so wants to see if there is any way to reduce expenditures.

**Foreign Trade ➔** Part of the foreign trade bureaucracy (APEX-Foreign Trade Promotion Agency) was transferred from MDIC to Itamaraty (under Serra), with a budget of R$ 500 million. Brazil’s current ambassador to China will return to head up APEX. CAMEX-The Chamber for Foreign Trade (now composed of 6 ministers will report directly to Pres. Michel Temer. SECEX-Secretariat for Foreign Trade will remain at MDIC. The President of AEB-Brazilian Exporters Assoc., José Augusto de Castro said “The two ministries speak different languages”.

**US Reacts ➔** On 18th May, the first US reaction to the impeachment process in Brazil was voiced by the US Ambassador to the OAS – Michael Fitzpatrick – who during a plenary session of the OAS rejected affirmations of Venezuela, Bolivia and Nicaragua that a “golpe” was in progress in Brazil. Fitzpatrick affirmed that in Brazil “there is a clear respect for democratic institutions, a clear separation of powers, a State of Law with a peaceful solution of disputes. Nothing in Brazil is similar to what is going on in Venezuela that is our main concern”.

Exactly one week after Pres. Dilma was suspended after the May 11 Senate vote, the US assumed a “firm” position rejecting the accusations regarding a “golpe” in Brazil. Until Fitzpatrick’s statement, the US had assumed a “cautious” position – that the Brazil’s impeachment process was respecting “democratic norms”. **Remember:** OAS Secretary General Luis Almagro visited Pres. Dilma on 10th May (the day before the impeachment vote by the Senate). The former Uruguayan Foreign Minister said at the time that he would consult with the CIDH regarding the legality of the impeachment process that “has generated legal uncertainty and doubts”.

**More OAS –** On 18th May, the Inter American Human Rights Commission (CIDH) criticized the first decisions by the Temer government “will have a negative impact on the protection and promotion of human rights in Brazil”. The Commission was referring to the alleged cuts in Brazil’s social programs and the selection of an all White Male cabinet and said that it was “alarmed” by the downgrade of the Ministries for Women, Human Rights and Racial Equality. The CIDH communiqué also affirmed that Pres. Dilma was constitutionally elected by popular vote and appealed to the Brazilian legislature to judge impeachment “strictly within the Law respecting principles of international
law and human rights”. Apparently, this manifestation by this Commission was “stimulated” by Prof. Garcia.

**TWO Secretários-Gerais**  ➞ Foreign Minister José Serra will have TWO general-secretaries (number two posts) – Sérgio Danese will continue and will be concerned with the administrative sector, and Marcos Galvão, who was the Chief of the Brazilian Mission to the WTO, will return to care for the formulation of foreign policy. During the presidency of Fernando Collor, Itamaraty also had TWO Secretary-Generals.

In his weekly column in the *Folha de São Paulo*, FGV professor Matias Spektor postulates that Serra’s foreign policy direction – between “conservative nationalism” and “progressive cosmopolitanism” – is “open” and not yet well defined, and probably will fall in between these two positions.


In his 18th May swearing in speech, Serra reiterated ten principles for Brazil’s foreign policy:

**NOVAS DIRETRIZES DO ITAMARATY**

1. Diplomacia voltará a refletir interesses do país como um todo, "e não de um partido político e de seus aliados"

2. Preocupação com a defesa da democracia e dos direitos humanos em qualquer país

3. Brasil assumirá "especial responsabilidade" em assuntos na área ambiental

4. Na ONU e em outros fóruns globais e regionais, Brasil agirá em favor de soluções pacíficas e negociadas, ao mesmo tempo que se empenhará em fatores desencadeadores de crises financeiras e contração do comércio internacional

5. Brasil não mais se restringirá à "adesão paralisadora" às negociações multilaterais na OMC, que o mantém à margem de acordos bilaterais de livre comércio

6. Iniciar negociações comerciais, usando a vantagem do acesso ao mercado interno brasileiro, em busca de soluções negociadas e com base na reciprocidade

7. Um dos focos de atuação será a Argentina, "com a qual passamos a compartilhar referências semelhantes para a reorganização da política e da economia"; busca por pontos de contato, e não divergências, com a Aliança do Pacífico

8. Ampliação do intercâmbio com parceiros tradicionais, como EUA, Europa e Japão; negociar, com os EUA, uma solução prática e de curto prazo para trabalhar na remoção de barreiras não tarifárias e em parcerias de energia, ambiente, ciência, tecnologia e educação

9. Relação prioritária com a Ásia, principalmente com a China e a Índia; manutenção dos laços com a África, mas sem se basear em laços "fraternos do passado"; solidariedade com países do Sul continuará a ser diretriz, mas com atenção ao custo-benefício
10. Nas políticas de comércio exterior, Brasil terá sempre a "boa análise econômica"; necessidade de investir na produtividade e competitividade e ênfase na redução do custo Brasil.

**Serra’s first overseas trip** will be to Buenos Aires beginning on Sunday, 22nd May. Serra’s ideas coincide with those of his counterpart, Argentine Foreign Minister **Susana Malcorra**. When she assumed the Foreign Ministry in December, Malcorra declared that she hoped to “remove all ideology from Argentina’s foreign relations”.

### 2.2 – Susana Malcorra ➔ UN??

Apparently, the government of Pres. Macri is launching the candidacy of Foreign Minister Susana Malcorra to succeed Ban Ki-moon as UN Secretary-General. There are pressures for the next Secretary General to be a woman. Supposedly, the regional “rotation” for this post should fall to Eastern Europe in 2016 and the woman cited is the Bulgarian Irina Bokova, the current head of UNESCO. Also cited is the former PM of New Zealand, Helen Clark. Reportedly, Russia has no objections regarding Bokova, but the US is “undecided”.

### 2.3 – Celso Amorim ➔ Unitaid

Apparently, former Foreign Minister (Lula) and ex-Defense Minister (Dilma) retired diplomat Celso Amorim will become the President of the Administrative Council of Unitaid (in Geneva) as of 23rd June, replacing Philippe Douste-Blazy. Amorim was indicated for this post by Pres. Dilma Rousseff in March.

Unitaid was created in 2006 by then Presidents Jacques Chirac (France) and Lula (Brazil) in an effort to convince multi-national pharmaceutical firms to reduce their prices for emerging nations.

### 3 - REFORMS

#### 3.1 – Social Security

On Monday, 16th May, leaders of Brazil’s labor union centrals -- with the exception of the CUT (linked to the PT) that said it does not consider the Temer government illegitimate met with representatives of the Temer government to discuss the reform of the rules for Brazil’s social security system – especially fixing the minimum retirement age at 65. The union leaders were adamant that the minimum age should not be changed, but the government countered that without these proposed reforms the system would become totally insolvent and threaten those who would retire in another 20 or 20 years with no retirement benefit. It was decided that this group would form a task force to study the question in 30 days. On 19th May, the press revealed (alleged) that some R$ 90 billion in social security contributions are not collected adequately – due to “bureaucratic problems”. This is more than the R$ 86 billion social security deficit in 2015. Specialists affirm that in 2016 this deficit should reach R$ 133.6 billion and R$ 533 billion in 2030.

CNI/Ibope – On 18th May, the CNI released data from an Ibope poll that showed 65% approve the social security reform with a minimum age of 65.

4 – PRIVATIZATION & REGULATION

Nothing this week.

5 - ECONOMICS

5.1 – Petrobras plans “bond buy back”

Brazil’s “fallen” Petrol giant, Petrobras, has US$ 13.2 billion in expiring debt bonds due in 2016 and another US$ 28.5 billion in 2017 and 2018. Petrobras announced that it would attempt to buy back US$ 3.58 billion in outstanding 8.375% interest bonds at a small premium.

On 17th May, Petrobras launched a bond issue on the NYSE in two tranches — a very high yield (cost) due to the Brazil petrol giant’s elevated debt. The first tranche, worth US$ 5 billion due in May 2021 and will pay an annual yield of 8.625%. The second tranche worth US$ 1.75 billion will mature in May 2026 and will pay an annual yield of 9.0%. By comparison, in June 2015, Petrobras issued US$ 2.5 billion in 100-year bonds with an annual yield of 8.45%. Petrobras plans to use these funds to repurchase a total of US$ 6 billion in outstanding bonds. This operation was coordinated by Banco do Brasil Securities; JP Morgan Securities; Merrill Lynch, Pierce, Fenner & Smith; and Santander Investment Securities.

5.2 – Eletrobras suspended from NYSE

On Wednesday, 18th May, Eletrobras stocks were suspended from trading on the New York Stock Exchange. Why? The NYSE affirmed that it had begun the process for Eletrobras to be “delisted”. Eletrobras has delayed the delivery of Form 20-F that consolidates its financial and operational results because its accounting firm KPMG refuses to sign off on this document (for 2014) until the losses related to the corruption scheme investigated by Lava Jato are included in this balance sheet.

That same day, the new Minister of Mines & Energy, Fernando Bezerra Coelho Filho, said that Eletrobras would appeal to the SEC in an attempt to gain more time to deliver these documents. Eletrobras will have ten days to file an appeal. Reportedly, the government is preparing a R$ 4 billion capitalization of Eletrobras.

5.3 – Federal revenues decline

The SRF announced on 18th May that federal revenues in April were R$ 110.895 billion (-7.10% YoY). This was the 13th consecutive month with declining federal revenues. In April 2015, collections were R$ 119.4 billion (-7.91%). In April 2014, tax collections were R$ 125.2 billion. In 2016,
collections totaled R$ 423.909 billion –7.91% vs. the same period in 2015. IPI (tax on industrial production) collections were down by -19.33% to R$ 10.087 billion. This decline is attributed to the economic recession as well as the many tax exemptions and incentives granted by the Dilma Rousseff government.

5.4 - Unemployment

On 19th May, IBGE released unemployment data (10.9%) from its continuous PNAD for 1st Q/2016. Unemployment surpassed 10% in 17 of the 27 states. Bahia had the highest rate (15.5%) and Rondônia and Rio Grande do Sul were the lowest (7.5%).

On 19th May, Planning Minister Romero Jucá (PMDB-RR) announced that Wasmália Bivar would continue as President of IBGE. However, he replaced Jessé de Souza as President of IPEA and appointed economist Manoel Pires, who had been Secretary for Economic Policy at Finance.

5.5 – May Inflation

On 20th May, IBGE released data for the IPCA-15 +0.86% - the highest result in 20 years -- since +1.32% was posted in May 1996. In April 2016, the IPCA-15 was +0.51% and in May 2015, +0.60%. The 12-month accumulation for the IPCA-15 is not +9.62%. The principal price increases were for pharmaceutical products and food. The May IPCA-15 result was above the median estimate by 38 analysts surveyed by Bloomberg News (+0.77%)