Weekly Report
Dec. 10-16 2016

Looking Ahead ➔ What to watch for?

- 19th Dec. – Chamber will try to approve fiscal package for RJ, RS & MG
- 22nd Dec. -- Deadline for Congress to adjourn
- 25th Dec. -- Christmas Day [national holiday]
- 30th Dec. -- FGV to post December IGP-M
- 30th Dec. -- Public Account data for November
- 30th Dec. -- FGV to post December IGP-M ➔
- 31st Dec. -- Deadline for Congress to approve 2017 detailed budget [LOA]
- 1st Jan. -- New Years Day – National Holiday
- 1st Jan. -- New minimum wage of R$ 880,00 goes into effect R$ 945,80
  ➔ New INSS benefit ceiling ➔ R$ 5,579,00
- 4th Jan. -- December and 2016 trade balance data
- 5th Jan. -- Auto sales in December & 2016
- 6th Jan. -- Central Bank to announce 2016 FX flows
• 6th Jan. -- FGV to announce IGP-DI for December
• 9th Jan. -- IBGE to announce unemployment rate in November
• 9th Jan. -- Savings Accounts data for 2016
• 9th Jan. -- IBGE to post December & 2016 IPCA
• 13th Jan. -- IBGE: Industrial Production for November
• 16th Jan. -- IBGE: Services Sector in November
• 16th Jan. -- IBGE: November retail sales
• 17th Jan. -- IBGE-PNAD unemployment reached __% in August-October 2016

1 - POLITICS

1.1 – New Datafolha Poll

This Datafolha poll was conducted on 7-8 December among 2,828 voters in 174 municípios with a margin of error of two p.p. The previous poll was conducted on 14-15 July.

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Pres. Michel Temer</th>
<th>Dilma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14-15</td>
<td>7-8</td>
</tr>
<tr>
<td>Good/Excellent</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>Regular</td>
<td>42%</td>
<td>34%</td>
</tr>
<tr>
<td>Bad/Terrible</td>
<td>31%</td>
<td>51%</td>
</tr>
<tr>
<td>DK/NS</td>
<td>13%</td>
<td>5%</td>
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Because the economic crisis has not been reversed – but got even worse (GDP at -0.8% after -0.4% in 2nd Q/2016) with Caged data showing increasing numbers of jobs lost, negative industrial production and worsening unemployment data – the negative evaluation of the Temer government increased – Bad/Terrible 31% ➞ 51% -- but, still, not as bad as the 63% for Dilma on 16th April 2016).

This situation is illustrated in expectations regarding Brazil’s economic situation:

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Will improve</td>
<td>14%</td>
<td>19%</td>
<td>22%</td>
<td>28%</td>
<td>38%</td>
<td>28%</td>
</tr>
<tr>
<td>Remain the Same</td>
<td>25%</td>
<td>25%</td>
<td>22%</td>
<td>25%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Will get worse</td>
<td>58%</td>
<td>53%</td>
<td>52%</td>
<td>44%</td>
<td>30%</td>
<td>41%</td>
</tr>
<tr>
<td>DK/NS</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

The two “U” curves invert (reflection point) in the July poll ➞ “Will improve” peaked at 38%, while “Will get worse” bottomed out at 30%. In the July poll the result of “Improve” minus “Get worse” expectations was +11 points, but in the December poll became negative -13 points.
The *Datafolha* “Index of Confidence” is a composite of seven indicators -- 1) “Brazil is a good place to live?”; 2) “Pride or Shame to be a Brazilian?”; 3) The economic situation of the interviewee; 4) The Economic situation of Brazil; 5) The power to consume; 6) Unemployment; and 7) Inflation.

In December 2014, this index was quite high ➔ 171 points, but declined to 76 in March 2015 and began to increase to 80 in November 2015 and peaked at 98 in July 2016, only to decline to 87 in December 2016.

**New Direct Elections** as a mechanism to “Resolve the Crisis”?

<table>
<thead>
<tr>
<th>Response</th>
<th>Temer &amp; Dilma</th>
<th>Temer Should Resign &amp; New Elections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 2016</td>
<td>December 2016</td>
</tr>
<tr>
<td>In Favor</td>
<td>62%</td>
<td>63%</td>
</tr>
<tr>
<td>Against</td>
<td>30%</td>
<td>27%</td>
</tr>
<tr>
<td>Indifferent</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>DK/NS</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Public opinion has changed very little since July 2016.


What is Brazil’s principal problem today?

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Health</td>
<td>17%</td>
<td>33%</td>
</tr>
<tr>
<td>Corruption</td>
<td>32%</td>
<td>16%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Education</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Economy</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Violence</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Hunger</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Inflation</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Salaries</td>
<td>0</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>NS/DK</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Here the great inflections in opinions between July and December 2016 were: 1) **Corruption** (32%→16%); and 2) **Health** (17%→33%). Apparently, the *Lava Jato* investigation had a stronger perception in July than in December, and that “health care” problems became more important in December (probably because the economic recession has “trashed” most state and federal public health services. Education showed an increase in December do to concerns regarding tuition increases for 2017.


### Simulation for 2018 Elections – First Round

<table>
<thead>
<tr>
<th>Candidate/Party</th>
<th>(1) Mar-Jul-Dec</th>
<th>(2) Mar-Jul-Dec</th>
<th>(3) Mar-Jul-Dec</th>
<th>(4) Mar-Jul-Dec</th>
<th>Rejection July-Dec*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lula (PT)</td>
<td>17%→22%→25%</td>
<td>17%→23%→26%</td>
<td>17%→23%→25%</td>
<td>17%→22%→24%</td>
<td>46%→44%</td>
</tr>
<tr>
<td>Marina (Rede)</td>
<td>21%→17%→15%</td>
<td>23%→18%→17%</td>
<td>24%→17%→16%</td>
<td>17%→14%→11%</td>
<td>17%→15%</td>
</tr>
<tr>
<td>Aécio (PSDB)</td>
<td>19%→14%→11%</td>
<td>11%→8%→8%</td>
<td>13%→11%→9%</td>
<td>6%→5%→4%</td>
<td>19%→20%</td>
</tr>
<tr>
<td>Alckmin (PSDB)</td>
<td>- - - - - -</td>
<td>13%→11%→9%</td>
<td>13%→11%→9%</td>
<td>6%→5%→4%</td>
<td>19%→20%</td>
</tr>
<tr>
<td>Serra (PSDB)</td>
<td>- - - - - -</td>
<td>13%→11%→9%</td>
<td>13%→11%→9%</td>
<td>6%→5%→4%</td>
<td>19%→20%</td>
</tr>
<tr>
<td>Bolsonaro (PP)</td>
<td>6%→7%→9%</td>
<td>6%→8%→8%</td>
<td>7%→7%→9%</td>
<td>6%→6%→6%</td>
<td>19%→18%</td>
</tr>
<tr>
<td>C. Gomes (PDT)</td>
<td>6%→5%→5%</td>
<td>6%→6%→6%</td>
<td>7%→6%→6%</td>
<td>6%→4%→4%</td>
<td>13%→13%</td>
</tr>
<tr>
<td>Temer (PMDB)</td>
<td>6%→5%→4%</td>
<td>6%→6%→4%</td>
<td>7%→6%→4%</td>
<td>4%→4%→2%</td>
<td>29%→45%</td>
</tr>
<tr>
<td>S. Moro (None)</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>8%→8%→11%</td>
<td>9%→9%</td>
</tr>
<tr>
<td>L. Genro (PSOL)</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>8%→8%→11%</td>
<td>9%→9%</td>
</tr>
<tr>
<td>Caiado (DEM)</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>8%→8%→11%</td>
<td>9%→9%</td>
</tr>
<tr>
<td>E. Jorge (PV)</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>- - - - - -</td>
<td>8%→8%→11%</td>
<td>9%→9%</td>
</tr>
</tbody>
</table>

* - In the December poll, the rejection list included: Roberto Justus (14%) and Carmen Lúcia (8%).

8% rejected all names, 4% rejected no one and 4% were DK/NS.

This three-poll sequence (March→July→December) shows that Marina Silva (Rede) declined in July and December and Lula moved into first place in all four simulations. All three *tucanos* declined. Michel Temer’s rejection level increased 29%→45%; one point higher than Lula in December.

### Seven Second Round Simulations

<table>
<thead>
<tr>
<th>Candidate/Party</th>
<th>(1) July-Dec</th>
<th>(2) July-Dec</th>
<th>(3) July-Dec</th>
<th>(4) July-Dec</th>
<th>(5) July-Dec</th>
<th>(6) July-Dec</th>
<th>(7) July-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lula (PT)</td>
<td>32%→34%</td>
<td>36%→38%</td>
<td>35%→37%</td>
<td>36%→38%</td>
<td>46%→47%</td>
<td>46%→47%</td>
<td>47%→48%</td>
</tr>
<tr>
<td>Marina (Rede)</td>
<td>44%→43%</td>
<td>38%→34%</td>
<td>28%→25%</td>
<td>30%→27%</td>
<td>27%→25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aécio (PSDB)</td>
<td>38%→34%</td>
<td>40%→35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serra (PSDB)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alckmin (PSDB)</td>
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<td></td>
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</tbody>
</table>
These simulations show that Marina Silva (Rede) would defeat ALL four other candidates on the second round in July and December (including Lula). After losing to the three tucanos in July, Lula came back and would defeat all three in the December simulation.


Evaluation of Congress

Datafolha also asked this December sample of voters to evaluate Congress ➔ 58% said “Bad/Terrible” – the worst opinion since 56% in September 1993.

Ideology – Voters were asked to position themselves on a Left-Right ideological scale ➔ 15% said “Left”, 11% said “Center-Left”, 24% said “Center”, 11% said “Center-Right”, and 20% said “Right” with DK/NS at 19%.

Democracy – 62% said “Democracy is the best form of Government”, 18% responded “In certain circumstances, a dictatorship is better”, and 12% said “It makes no difference”.

PEC 241/PEC 55 – Regarding the constitutional amendment PEC 55 (approved by the Senate on a second round vote on 13th December) – 60% were against this measure, 24% in favor, 4% were indifferent and 12% DK/NS. On the other hand, in a “contradictory” opinion, 53% said that there are sufficient public funds available but are not applied well, and 36% said insufficient.


1.2 – Dom Paulo Evaristo Arns dead at age 95

São Paulo Archbishop and Cardinal emeritus, Dom Paulo Evaristo Arns died on Wednesday, 14th December in São Paulo. He celebrated his 95th birthday on 14th September – three months ago. He had been hospitalized since 28th November with pneumonia.

He was born in Criciúma, SC, the fifth of 13 siblings in a family of small farmers. Three of his sisters became nuns and one brother was a priest. In 1939, he joined the St. Francis of Assis Order, and completed his BA in Philosophy (Curitiba) in 1943. In 1945, he was ordained as a priest in Petropolis, RJ and in 1947 traveled to Paris where he completed his doctorate in 1952. Upon his return to Brazil, as a parish priest in Petrópolis

In 1966, Dom Paulo was named auxiliary bishop to Archbishop Agnelo Rossi (who was aligned with the then conservative bishops in the CNBB) in São Paulo by Pope Paulo VI. In November 1970, Pope Paul VI transferred Cardinal Agnelo Rossi to the Vatican and named Dom Paulo Archbishop of São Paulo – at the time the largest archdiocese in the world. In 1971, he met with Gen. President
Emílio Médici and denounced torture in Brazil and the next year produced a very important church document on the issue of human rights – Testemunho de Paz. In line with the doctrine of Pope Paul VI, in 1972, Dom Paulo established the SP Peace & Justice Commission. However, in 1973, Pres. Médici decreed the closing (extinction) of the Rádio 9 de julho (the SP Archdioceses’ radio station). On the orders of Cardinal Agnelo Rossi, Dom Paulo visited prisoners at the Carandiru prison and Dominican Friars imprisoned at the Tiradentes prison – among them Frei Beto and Frei Tito.

In 1973, Pope Paul VI named him Cardinal and he sold the SP Episcopal Palace for US$ 5 million that were used construct community centers (CEBs) in the periphery of SP. In 1975, Dom Paulo began a campaign demanding amnesty for those persecuted by the military regime, and celebrated a historic ecumenical ceremony (together with Rabbi Henry Sobel) at the SP Cathedral in memory of journalist Vladimir Herzog who had been murdered by the military regime. In 1980, he accompanied Pope John Paul II during his first trip to Brazil and defended the general workers’ strike in the ABC region of SP.

In 1985, with financial support from the World Council of Churches, he co-authored Brasil Nunca Mais with Reverend Jaime Wright with detailed “official” information about torture under Brazil’s 21-year military regime – garnered from the archives of the STM-Brazil’s Superior Military Court.

In 1989, Pope John Paul II divided (split) the SP archdiocese into five parts and thus diluted Dom Paulo’s autonomy in the SP periphery. Ironically, Dom Paulo’s worst defeat came four years after the re-democratization on Brazil (in 1985). In turn, the Pope appointed four new conservative archbishops (not aligned with “Liberation Theology”). This was part of the “bargain” (agreement) that Pope John Paul II had established with then US President Ronald Reagan in 1982.

  
http://content.time.com/time/magazine/article/0,9171,159069,00.html

In May 1998, Dom Paulo Evaristo Arns retired and became Archbishop emeritus. In 2010, his sister, Zilda Arns Neumann, Coordinator of the Pastoral for Children was visiting Haiti when the
earthquake struck. She was inside the central cathedral when a large piece of masonry broke lose from the ceiling, hit her head and killed her instantly.

In 2001, Dom Paulo published an autobiography – *Da Esperança à Utopia; Trajetório de uma Vida*. (Editora Sextante).

1.3 – “Abuse of Authority”

On 14th December, **TWO** decisions effectively “killed” the efforts to approve “Abuse of Authority” legislation to coerce judges and prosecutors who try to investigate, indict and prosecute politicians ➔ 1) STF Judge Luiz Fux issued an injunction ordering the mutilated “pro-corruption” bill approved by the Chamber in the “wee hours” of 30th November and transmitted to the Senate the same day, be sent back to the Chamber so that the original 10-point “anti-corruption” popular initiative could be deliberated “correctly” by the lower house (another round in the Legislature-Judiciary “clash”); and 2) Senate President Renan Calheiros (PMDB-AL) insisted on putting his own “Abuse of Authority” bill on the agenda for discussion and a vote by the full Senate, but he was shouted down by his colleagues and finally this bill was sent to the Senate CCJ for deliberation (in 2017) – after Calheiros has left the Senate Presidency.

➔Yet another defeat for Renan Calheiros.

Regarding the injunction issued by Judge Fux, Chamber President Rodrigo Maia (DEM-RJ) – who is trying desperately to become a candidate for reelection as Chamber President – reacted. Maia said that this was an “in appropriate intervention by the Judiciary into the legislature”.

1.4 – *Lava Jato*

On 15th December, the *Lava Jato* task force presented yet another accusation against Lula and eight other persons, including his wife Marisa Letícia, Marcelo Odebrecht and Antonio Palocci. This is the third accusation against Lula in the *Lava Jato* investigation. This accusation alleges that part of the bribes paid by Odebrecht regarding Petrobras contracts were used (in 2010) to acquire a piece of land (for R$ 7.6 million) in southern São Paulo where the HQ of the Instituto Lula would be constructed. Also, those bribes from Odebrecht were used to acquire an apartment adjacent to (in the same building) as the penthouse apartment owned by Lula in São Bernardo do Campo, SP. This adjacent apartment was registered in the name of Glaucos da Costa Marques (who acted as a “stand in” for Lula). Investigators discovered that Costa Marques received R$ 800.000,00 from DAG Construtora just before he paid R$ 504.000,00 for the apartment in question and that this “transaction” was organized by lawyer Roberto Teixeira (Lula’s close, dear friend Roberto Teixeira. He and Costa Marques were also accused. Also, that Lula and Marisa never paid any rent to Costa Marques.

*A Cartoon by Sponholz*
Lula’s lawyers have harassed, defied and contested Judge Sérgio Moro during the testimony by witnesses subpoenaed by Lula’s defense as well as those convoked by the Lava Jato prosecutors. Instead of losing control of this process, Moro told these lawyers that they were acting out of context and told them to “shut up”.

In the absence of the “Abuse of Authority” legislation that has been effectively “killed” in Congress (See Item 1.3) on 15th December Lula’s lawyers filed a suit against the chief of the Lava Jato federal prosecutors – Deltan Dallagnol – requesting R$ 1 million in “moral damage” because of Dallagnol’s “attacks against Lula’s honor, public image and reputation”. The reason? On 14th September, in a televised news conference Dallagnol (using PowerPoint) accused Lula of being “maximum commander” of the Petrobras corruption/bribe scheme between 2004 and 2014. Could this be considered “Abuse of Authority”?

On 16th December, Judge Sérgio Moro agreed to release former PT national treasurer, Paulo Ferreira, from prison but he will have to post R$ 1 million bail. It should be easy for the PT to find this amount.

More plea bargaining testimony from Odebrecht former executives revealed that R$ 100 million had been “passed through” the Itaipava brewery and then distributed to politicians (PT, PMDB, PP, PSDB, PV, DEM, PTC, PSDC, FPS, PCDdoB & PSOL). This is called “The End of the World”.

1.4.1 – Operation Timóteo

On 16th December, the Federal Police unleashed Operation Timóteo against a corruption scheme organized by Marco Antonio Valadares Moreira, Director of the DNPM-National Dept. of Mineral Production and his lawyer wife. This scheme involved mineral royalty payments from mining firms to local municipal governments and Moreira organized a mechanism to siphon off these funds (some R$ 70 million). The nickname Timóteo came form the Book of Timothy (in the Bible) that states “Those who want to get rich succumb to temptation and provoke their destruction because money is the root of all evil”.

The Silvas – Marisa, “They say that Christmas in Curitiba is beautiful, like a European Christmas”. Lula – “Shut up, Marisa!!”
The Federal Police carried out warrants for ➔ 4 preventative arrests, 12 tentative arrests, and 29 coercive testimony – in GO, DF, BA, MT, PA, MG, PR, RJ, RS SC, SE & TO. The son of the current PSDB governor of Pará was arrested.

1.5 – CNI-Ibope Poll

On 16th October, CNI released the latest Ibope poll that was conducted among 2,002 voters on 1-4 December in 143 municípios with a two-point margin of error. The previous poll had been conducted in October.

The proportion of voters who considered the Temer government “Bad/Terrible” increased 39%➔46%, while those who said “Good/Excellent” declined 14%➔13%.

http://g1.globo.com/politica/noticia/2016/12/16/aprovacao-do-governo-temer-e-de-13-diz-pesquisa-ibope.html

1.6 – CMO approved LOA/2017

On 14th December – “just in time” the Joint Budget Committee (CMO) approved the budget law for 2017 (LOA) and the next day (a few hours after PEC 55 was promulgated) a joint session of Congress approved this budget proposal – that was drafted taking PEC 241/PEC 55 into account. The projection for the fiscal deficit at the end of 2017 is R$ 139 billion.

1.7 – New TCU President on rotation

Apparently, this “rotation” replaced one ficha suja with another ficha suja. Outgoing TCU President Aroldo Cedraz was replaced by Raimundo Carrero on 14th December. Cedraz was accused of corruption via his lawyer son Thiago Cedraz who allegedly received a large bribe to influence his father’s decision making. Carrero was accused in the Lava Jato plea bargaining testimony by Ricardo Pessoa (UTC) of receiving bribes to vote “the right way”.

1.8 – Temer’s cabinet is “sick” – in the ICU

This was the gist of the blog by Josias de Souza on 14th December – that many in Temer’s cabinet are in the “Intensive Care Unit”.

See ➔ http://josiasdesouza.blogosfera.uol.com.br/2016/12/14/auxiliares-de-temer-nao-sao-demitidos-tem-alta/

The so-called “End of the World” is closing in on Brazil’s political class (many different political parties – with the forthcoming plea bargaining testimony by 77 former executives from Odebrecht. The first “devastating” testimony last week was by Claudio Melo Filho who detailed R$ millions of “contributions” to many politicians – including for the PMDB (Michel Temer) in 2014. Allegedly, part of the R$ million requested by Temer to Marcelo Odebrecht was delivered in cash to the law office of José Yunes in SP. Yunes has been a long time friend of Temer (some 50 years) and had been recruited as a “special staff advisor” in the President’s inner circle. On Wednesday, 14th December, Yunes abruptly resigned, instead of “taking the heat” of more testimony “leakage” over the
next weeks. Some 30 politicians were “fingered” by Claudio Melo Filho with their respective “code names” – including others in Temer’s inner circle – Eliseu Padilha and Wellington Moreira Franco.

Some “straws in the wind” appeared in Curitiba 17 days ago when Judge Sérgio Moro rejected some questions posed by Eduardo Cunha’s lawyers for the witnesses they had convoked. For example, “Did Yunes intermediate funds (from Odebrecht) for the PMDB (Temer) campaign in 2014, and was a licit or illicit campaign contribution?” Claudio Melo Filho confirmed this suspicion. Reportedly, the testimony by Marcelo Odebrecht will confirm the affirmations by Claudio Melo Filho.

Josias de Souza speculated that Temer will do a major cabinet shakeup (replacements) in February – after the election of the new Presidents of the Chamber and Senate. By then, the “End of the World” will be very ominous.

1.9 – Federal government alleviated RJ, RS & MG

On 14th December, the federal government agreed to alleviate the desperate fiscal situation of three states – Rio de Janeiro, Rio Grande do Sul and Minas Gerais. The plan (already approved by the Senate and now in the Chamber calls for a suspension of state debt payments to the federal government for 3 years and part of the “repatriation” funds allocated to these states. The counterpoint is quite harsh – the sale (privatization) of state-owned enterprises; increases in retirement pension contributions by state employees to 14%; no pay increases; etc. However, on 15th December, the Opposition in the Chamber was able to thwart a vote and this was put off until next week – because many deputies wanted to remove the fiscal measures that the states would have to adopt. The Chamber will try to approve the Senate version on Monday, 19th December. Some deputies said that Pres. Temer might be forced to resolve this situation via MP-Medida Provisória.

1.10 – PGR to investigate “behavior” of STJ Judge Dias Toffoli

Apparently, the PGR has decided to investigate the “biased” behavior (decisions) by STF Judge Dias Toffoli – especially regarding his treatment of former Planning Minister Paulo Bernardo (PT-PR) who was accused of siphoning off R$ 100 million from consigned loans ➔ Operation Custo Brasil. Toffoli is accused of being an “intimate” friend of Bernardo and his wife, Sen. Gleisi Hoffmann (PT-PR). Toffoli issued a very controversial habeas corpus that released Bernardo from preventative arrest in São Paulo.

Toffoli’s appointment to the Supreme Court by Lula was questioned by many jurists, the OAB and judges associations because he worked for José Dirceu in the Casa Civil, had been a very loyal AGU under Lula and especially the fact that he had failed several public exams in SP for public prosecutor and state judge – and had been a “card carrying” member of the PT-SP).

1.11 – Villas-Boas Corrêa dead at 93

On 16th December, one of Brazil’s most notable journalists – Luiz Antônio Villas Bôas Corrêa – died of respiratory complications at the São Lucas Hospital in Copacabana where he was being treated since 9th December. He had a BA in Law from the Universidade do Brasil (1947), and began his journalism career with A Notícia in 1948 and later with the Tribuna da Imprensa, O Dia, O Estado de
São Paulo and Jornal do Brasil. He also was a political analyst with the TV Bandeirantes, TV Rio, TV Tupi and Rede Manchete. He was born in Tijuca, Rio de Janeiro on 2nd December 1923.


2 – FOREIGN RELATIONS & TRADE

2.1 – Mercosul met in Buenos Aires

Brazil, Argentina, Uruguay and Paraguay attended the encounter of Mercosul Foreign Ministers on Wednesday, 14th December in Buenos Aires. The day before, Tuesday, 13th December, the Paraguayan government said that Venezuelan Foreign Minister Deley Rodriguez was not invited because Venezuela was suspended from Mercosul on 2nd December.

Affirming that she was still the Mercosul pro tempore President, Ms. Rodriguez arrived in Buenos Aires to insist on entering the San Martín Palace and preside over the Mercosul meeting. Argentine Foreign Minister Susana Malcorra received Rodriguez at a building annex to the Foreign Ministry and explained “the situation” to her Venezuelan colleague. Deley told the press “If I can’t get in through the door, I will enter the building through a window”. On arriving at the front door she was barred from entry and found that all the”windows were closed”. However, Rodriguez finally gained entrance to the building and went straight to the meeting room – that was empty. The 4 foreign ministers had gone to lunch together. So that ended her attempts.


2.2 – Brazilian will be UN Sec.-General’s Chief of Staff

Portuguese Antonio Guterres will replace Ban Ki-moon as US Secretary General on 1st January 2017. On 15th December, he announced that three women would form the “nucleus” of his administration. Brazilian diplomat, Maria Luiza Ribeiro Viotti (62) will be Guterres’ Chief of Staff, Former Nigerian Minister Amina Mohammed will be Vice Secretary General, and South Korean Kyung-wha Kang will Special Consul.
Ambassador Maria Luiza Ribeiro Viotti;

Of the nearly 40,000 UN employees, 35% are women and 17 of the 79 in second echelon positions are women.

Viotti is currently head of the Secretary-General for the Asia-Pacific region at Itamaraty. Before, she was Brazil’s permanent representative at the UN and served on the UN Security Council (2007-2011), and was Brazil Ambassador to Germany (2013-2016).

3 – REFORMS

3.1 – PEC 241/PEC 55 approved by Senate

The Senate finalized the second round vote of PEC 241/PEC 55 that placed a “cap” of federal expenditures for 20 years on Tuesday, 13th December – by a 53-to-16 vote. This was eight votes less than the 61-to-14 vote on the 1st round. A PEC needs 2/3 of the Senate (49 votes) to be approved.

Eight senators who had voted “Yes” on the first round were absent for the 2nd round vote:
- Davi Alcolumbre (DEM-AP)
- Fernando Collor (PTC-AL)
- Jader Barbalho (PMDB-PA)
- João Alberto Souz (PMDB-MA)
- Marcelo Crivella (PRB-RJ)
- Rose de Freitas (PMDB-ES)
- Wilder Morais (PP-GO)
- Zezé Perrella (PTB-MG)
One senator who voted “No” on the first round, Randolfe Rodrigues (Rede-AP) arrived just after this vote was posted and requested that his “No” vote be registered.

Three senators who did not participate in the 1st round vote showed up for the 2nd round vote:
- Jorge Vianna (PT-AC) voted “No”
- Roberto Requião (PMDB-PR) voted “No”
- Telmário Mota (PDT-RR) voted “Yes”

One Senator was present but did not vote
 ⇒ Renan Calheiros (PMDB-AL), the Senate President

ALL Three PDT senators – Lasier Martins (RS), Pastor Valadares (RO), and Telmário Mota (RR) voted in favor of this PEC and provoked the ire of PDT national President Carlos Lupi who vowed to expel them from the party. Apparently, the PDT national executive committee had “closed the questions” and obliged these senators to vote against the PEC. Had they done so, this PEC would have come very close to being defeated. Remember: Earlier this year, two PDT senators from Brasilia left the PDT ⇒ Cristovam Buarque and Antonio Reguffe.

3.2 – Social Security Reform

The first step for this PEC in the Chamber was to have its constitutionality approved by the CCJ. On Wednesday, 14th December, the CCJ was deadlocked until the government floor leader in the Chamber Dep. André Moura (PSC-SE) brokered a compromise ⇒ the CCJ would approve this PEC and in return, the special committee to examine this PEC would only be organized in February after the new Chamber president had been elected on 1st February 2017. The final vote by the CCJ was a “tight” 31-to-20 decision.

4 – PRIVATIZATION & REGULATION

Nothing this week.

5 - ECONOMICS

5.1 – Temer government announced “Ten Points”

On 15th December, the government called a press conference (with a national live TV hookup) to announce a ten-point package “to get Brazil’s economy moving again”. First, Pres. Temer gave an overview of this proposal, followed by more details portrayed by Finance Minister Henrique Meirelles and Planning Minister Dyogo Oliveira. The Presidents of the Chamber (Rodrigo Maia) and the Senate (Renan Calheiros) were also present in addition to the Chief of the Casa Civil Eliseu Padilha.

The Ten Points listed were as follows:

1) FGTS remuneration – Will increase from 3%+TR to 5% to 6%+TR.
2) **Civil Construction** – Increase credit offered for labor intensive construction projects.

3) **Credit Cards** – Possible discounts for one-time payments, reductions of interest charges and shorten the time lag for reimbursement of retailers.

4) **Reduce bureaucracy for “Doing Business” in Brazil** – This measure will try to improve Brazil’s rating on the World Bank’s annual report on “Doing Business”.

5) **Improved management** – A national computerized file will be established for all registries of property and assets (*cartórios*).

6) **Enhance foreign trade competitiveness** – Reduce by 40% the legal (bureaucratic) procedures for exports and imports.

7) **Renegotiation (and access) of BNDES loans** – Permit firms to renegotiate timeframes for repayment of loans and facilitate access by micro/small/medium sized firms.

8) **Regulation of retirement of tax debts** – Non-payment of social security contributions by firms could now be covered by other tax credits and “fiscal losses”.

9) **Expansion of “micro credit”** – Increase the limit of gross income by small firms from R$ 120 million to R$ 200 million to qualify for access “productive micro credits”.

10) **Reduction of “spreads”** – Would cut costs of credit operations by using electronic billing and using a “positive” credit rating (listing).


### 5.2 – Services sector declined in October

On 14th December, IBGE released its data for the services sector for October → -2.4% (MoM) & -7.6% YoY. This is very bad news and shows that the economic crisis has yet to “turn around” and is worsening. The accumulated result in 2016 is now -5.0% and -5.1% for the 12-month period. This sector represents almost 70% of Brazil’s GDP.

### 5.3 – Retail Sales declined in October
For the fourth straight month IBGE data has shown declines in retail sales. October posted declines of -0.8% MoM & -8.2% YoY and accumulates -6.7% in 2016 and -6.8% in 12-months. In October, supermarket sales declined -0.6% MoM and -3.5% in 12-months.

5.4 – IBC-Br declined -0.48%

On 15\textsuperscript{th} December, the Central Bank released its Index of Economic Activity for the month of October \(\Downarrow -0.48\%\) after a slight decline of \(-0.08\%\) in September. The declines in the services sector and retail sales above (Items 5.1 and 5.2) previewed this IBC-Br result. Compared with October 2015, the result was -5.28\% YoY. This result was slightly below the projections by economists surveyed by \textit{OESP} \(\Downarrow -0.60\%\) median (between -0.40\% and -1.50\%). Thus, the 10-month accumulation is now -4.82\% and -5.09\% for the 12-month period. This negative (worsening) result for the first month in 4\textsuperscript{th} Q/2016 does not bode well for Brazil’s GDP result for the full 4\textsuperscript{th} Q/2016. This result will be available towards the end of March 2017.