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FEATURED Q&A

How Successful Has Lula Been a Year After His Return?



New Year's Day marked one year since Luiz Inácio Lula da Silva returned to Brazil's presidency. He previously served in that office for eight years, from 2003 through 2010. // File Photo: @LulaOficialvia X.

Q Jan. 1 marked one year since Luiz Inácio Lula da Silva returned to Brazil's presidency. The past year has been marked by numerous new measures, notably major environmental policies, as well as a focus on international relations and leadership. What have been Lula's most significant accomplishments and main missteps in his first year? What parts of Lula's agenda remain unfulfilled, and what are the largest challenges he faces in the rest of his term? To what extent has Lula changed Brazil's standing with the international community?

A **Guilherme Casarões, assistant professor at the São Paulo School of Business Administration of the Fundação Getulio Vargas:** "Lula started his third term with two broad foreign policy goals in mind: to fix the damage that Bolsonaro caused to Brazil's global image and to relaunch the active international strategy that made him popular in the early 2000s. The first goal has been accomplished: a respected Brazil has returned to the world stage, reclaiming its regional and multilateral protagonism. As for the second goal, it took Lula some time before he realized today's world is much less prone to cooperation and diplomacy than in the past. In an increasingly dangerous and polarized world, Brazil's longstanding diplomatic assets have lost relevance. Rather than being praised by his conciliatory approach to wars in Ukraine and Gaza, Lula has been criticized for remaining on the fence. Although Lula has made foreign policy a top priority, having spent more than two months abroad in less than a year in office, he has failed to attain tangible results. As Lula enters his second year, he needs to focus.

Continued on page 3

TODAY'S NEWS

POLITICAL

Maduro Mobilizes 5,600 Troops Amid Tensions

Venezuelan President Nicolás Maduro ordered the mobilization of 5,600 troops after Britain dispatched a military vessel to Guyana. The deployment came amid a border dispute between Venezuela and Guyana.

Page 2

ECONOMIC

Indigenous Group to End Blockade of Ecuador Oil Project

The Waorani Kawymeno Indigenous group reached an agreement with Ecuador's government to end a blockade of an oil project in Orellana province.

Page 2

ECONOMIC

Argentina Won't Join BRICS: Milei

President Javier Milei announced in a letter that Argentina would not join the BRICS bloc of developing economies. However, Milei, who took office last month, said he wanted to "intensify bilateral ties" with the BRICS countries.

Page 2



Milei // File Photo: Argentine Government.

POLITICAL NEWS

Maduro Mobilizes 5,600 Troops Amid Guyana Tensions

Venezuelan President Nicolás Maduro has ordered the mobilization of 5,600 troops after Britain deployed a warship to Guyana's coast-line, UPI reported Sunday. The deployment was the latest development amid heightening tensions over Guyana's oil-rich Essequibo region, which Venezuela claims as its own. Venezuelan Defense Minister Vladimir Padrino said over the weekend in a video posted to social media site X that the troops are "safeguarding our national sovereignty," the Associated Press reported. "Armed forces have been deployed not just in the east of the country, but across the entire territory," Padrino said, surrounded by military officers at an armed forces base in Caracas, the AP reported. "They will be there until this British imperialist boat leaves the disputed waters between Venezuela and Guyana" he added. The deployment followed Britain's dispatch last week of the Royal Navy patrol vessel HMS Trent, Reuters reported. Britain's defense ministry said the ship would visit Guyana as part of a series of activities in the area. It did not mention the border dispute between Guyana and Venezuela. Maduro last week blasted Britain's decision to deploy the vessel. "It is the breaking of the spirit of dialogue, diplomacy and peace of the agreements," he said, UPI reported. He called the development "practically a military threat from London." The tensions between the Essequibo region escalated after Venezuelans expressed support in a government-backed referendum a month ago for Caracas' claim to the disputed area. The Essequibo region, which makes up two-thirds of Guyana's territory, is sparsely populated. However, oil operations off the territory's coast generate approximately \$1 billion a year for Guyana, whose economy grew nearly 60 percent in the first half of 2023, the AP reported. For decades, Venezuela has claimed that it was cheated out of the territory when an international tribunal set the border in 1899.

Guyana has said that agreement is binding and that the current dispute should be settled by the United Nations' International Court of Justice. [Editor's note: See related [Q&A](#) in the Dec. 13 issue of the Advisor.]

ECONOMIC NEWS

Milei Announces Argentina Won't Join BRICS Bloc

Argentine President Javier Milei announced in a letter released Friday that the South American country will not join the BRICS bloc of developing economies, the Associated Press reported. In the letter, addressed to the leaders of Brazil, Russia, India, China and South Africa, Milei said it was not an "opportune" moment for Argentina to join the bloc, the AP reported. However, Milei said he wanted to "intensify bilateral ties" with the BRICS countries and also "increase trade and investment flows." Argentina was one of six countries that the BRICS bloc invited last August to join as new members, alongside Egypt, Iran, Ethiopia, Saudi Arabia and the United Arab Emirates, as of Jan. 1, BBC News reported. Milei's predecessor as president, Alberto Fernández, had supported joining the group in order to have access to new markets, the AP reported.

Indigenous Group Agrees to End Protest at Ecuador Oil Project

An Ecuadorean Indigenous community, the Waorani Kawymeno, has reached an agreement with the government to end its blockade of an oil project in Orellana province, the energy and mining ministry announced Saturday, Reuters reported. Protests began on Dec. 25, with Indigenous activists blockading access to the Ishpingo oil field, resulting in a 17,000 barrel drop in oil production per day. On Friday, Petroecudaor, the nation's state-run oil firm, de-

NEWS BRIEFS

Bolivian High Court Bars Morales From Presidential Run in 2025

Bolivia's Constitutional Court on Friday ruled that former President Evo Morales is ineligible to run again for the country's highest office in the 2025 election, Bloomberg News reported. According to an 82-page ruling, first reported by Bolivian newspaper *Correo del Sur*, the high court overturned a 2017 ruling that allowed Morales to seek a third term and said presidents are limited to two terms.

Colombia's Petro Expresses Support for Changing Tax Reform

Colombian President Gustavo Petro on Friday expressed his support at a press conference for changing a new tax reform, Reuters reported. Lawmakers passed the fiscal reform last year, which cuts taxes for businesses and raises them for the wealthy, in hopes of increasing the nation's overall tax take, but Colombia's constitutional court struck down a law that prevented deducting royalties from taxable income for extractive industries. Petro said reforming the tax law would align it better with Congress' original intent to increase tax income, noting that corporate tax rates could still fall, Reuters reported.

Petrobras Begins Production at Floating Production Unit

Brazilian state-owned oil firm Petrobras announced in a securities filing that it launched production at its Sepetiba floating production storage and offloading unit on Sunday, Reuters reported. According to Petrobras, the Sepetiba unit—which is located in the Mero oilfield in the Santos Basin—is capable of producing 180,000 barrels of oil and 12 million cubic meters of gas daily.

clared force majeure due to its inability to meet contractual obligations amid the ongoing protests. Talks between the ministry of energy and mining and the Waorani Kawymeno resulted in the ministry's public acknowledgment that the community had failed to receive public works projects that the government has promised it. "We assume responsibility for correcting these omissions and ensuring that each community receives the attention and resources it deserves," the ministry said in a statement, Reuters reported. The talks ended in an agreement to restart drilling—thereby lifting the force majeure—as well as to provide a number of services to the Waorani Kawymeno community including Internet connection, land clearing work and aid such as food and medicine.

BUSINESS NEWS

Ex-Oil Trader Faces Trial in Petroecuador Bribery Case

A former employee of oil trading company Vitol faces trial this week on charges of bribery connected to a \$300 million contract from Ecuadorian state oil company Petroecuador, Reuters reported today. Jury selection is scheduled for today in federal court in Brooklyn, N.Y., with opening statements scheduled for Wednesday in the case against Javier Aguilar. He is the first person to go on trial in the United States in connection with a wide-reaching Justice Department investigation into commodity trading firms that allegedly paid bribes in order to win business from state energy companies in Latin America, Reuters reported. Federal prosecutors in the United States allege that Aguilar, who was a Houston-based energy trader, paid close to \$1 million in bribes to Petroecuador senior manager Nilsen Arias and an unnamed official at Ecuador's energy ministry in order to help a state-owned company in the Middle East to secure a 30-month contract to market Ecuadorian fuel oil in late 2016, Reuters reported. Aguilar has pleaded not guilty to violating the U.S. Foreign Corrupt Practices Act.

FEATURED Q&A / Continued from page 1

Fighting climate change is one challenge, not just because Brazil is home to the Amazon and to 20 percent of the world's fresh water, but also because the country has been suffering from heat waves, droughts and other ecological disasters. Another challenge is ensuring that South America remains stable and peaceful. As Venezuela's Maduro threatens to go to war with Guyana over oil-rich Essequibo and Argentina's Milei vows to crack down on protesters against his draconian policies, Brazil has a major challenge ahead, this time along its borders."

A Welber Barral, partner at BMJ Consultores Associados and former Brazilian foreign trade secretary: "Lula brought a new dynamic and more stability to Brazil's political system. Having a seasoned team, with previous administration experience, curtailed the necessary time for adjustment and recovery. The surprising GDP growth in 2023 (close to 3 percent) is a sign of these accomplishments, with low inflation and positive job creation. On the down side, Lula has not formed a strong base in Congress; it is more powerful and interventionist than it was two decades ago. This has slowed the necessary modernizing reforms for the country. But a crucial step was the tax reform, which will have a positive economic effect in the next years. On the economic team, Finance Minister Fernando Haddad, including his approval by the financial market, has been a good surprise. However, political polarization persists in Brazil, and although the opposition is not fully organized, obstacles may become more common in Congress. In the international scenario, Brazil increasingly depends on commodity exports, and international crises may affect its splendid trade surplus. One particular and difficult challenge is to promote the national industry without recourse to protectionist measures. After the disastrous Bolsonaro years, Lula's arrival was celebrated in the international community, and its standing on

environmental issues has been crucial for Brazil's image in the world. The presidency of G20 and the COP30 in Belém will be relevant opportunities for Brazil to assert its interests in multilateral forums. The recent Venezuela-Guyana crisis has demonstrated the relevance of Brazil's leadership in South America."

A Carolina Costa, head of Latin America government affairs and multilateral engagement at RELX: "Following a politically divisive presidential race decided by the narrowest margin on record since democracy was restored in Brazil, with President Lula winning with just 50.9 percent of the votes, and a government transition marked by elevated institutional risks, there have been many challenges and opportunities to restore the country. On the international front, President Lula has sought to repair Brazil's image and its role on the global stage, seeking to position the country as the leading voice of the Global South while also asserting Brazil's longstanding commitment to multilateralism. For example, he has visited more countries during his first year back in office than former President Jair Bolsonaro did in his entire four-year term. In addition, Brazil currently holds a rotating seat on the United Nations Security Council, will preside over the G20 throughout 2024 and will host the COP30 climate conference in 2025. Domestically, one of the Lula administration's main achievements in 2023 was the passage of a long-awaited tax reform, a central pillar of President Lula's program to simplify Brazil's complex tax system, which often has been cited as one of the principal hurdles to doing business in the country. The markets reacted favorably following the approval of the tax reform. On Dec. 19, S&P Global Ratings upgraded Brazil's long-term ratings to 'BB' from 'BB-', elevating Brazil's attractiveness for international capital. Looking ahead, many challenges in critical areas, such as education, health care and

Continued on page 4

FEATURED Q&A / Continued from page 3

the fight against crime, remain. Therefore, as President Lula continues efforts to restore the country's standing domestically and internationally, he and his allies will need to leverage the achievements of 2023 and redouble these efforts in 2024."

A **Charles H. Blake, professor of political science at James Madison University:** "Jair Bolsonaro boycotted Lula's inauguration and inspired an insurrection one week later. In turn, Lula's supporters held a smaller share of Congress than during his prior two terms. Amid these challenges, President Lula projected a willingness to tackle difficult domestic problems and to revive Brazil's longstanding aspiration to be a world leader. Domestically, he began by convincing Marina Silva to serve as environment minister with a mandate to review the status of a large bloc of public lands on which deforestation had expanded during Bolsonaro's presidency. Last month, Lula achieved his largest legislative victory of the year: a simplification of national and subnational indirect taxes to reduce compliance challenges for firms while streamlining revenue collection. This tax reform, along with an earlier fiscal framework reform, are compromises between a Lula government intent on improving tax collection and a large center-right bloc in Congress that wants a business-friendly policy mix. The biggest domestic challenge for Lula's second year will involve creating a more progressive income-tax structure that could reduce income inequality in Brazil. On the international stage, Lula restored Brazil's visibility by organizing a relaunch of the South American Unasur bloc in May, an Amazon policy summit in August and a climate summit in September that builds a bridge to Brazil's selection to host the United Nations' COP30 climate summit in 2025. In turn, Lula was quite active at the BRICS summit's

expansion announcement in August and at the U.N. General Assembly in September."

A **Leonardo Barreto, chief political analyst at Vector Governmental and Institutional Relations:**

"Lula promised he would not be Jair Bolsonaro. That was meant to signal a return of peace and predictability to politics. Nonetheless, even if he has worked hard to normalize relations among institutions and gotten through a significant part of his government's legislative agenda, Congress has proved to be an unrelenting challenge. Lula has also strategically kept Bolsonaro's ghost alive, framing the 2024 local elections as a new round between his and the former president's allies. In foreign policy, Lula tried to influence global conflicts and to position Brazil as a nonaligned leader in a world in need of reform and multilateral governance. Concretely, however, he made no difference in the wars currently raging, and, closer to home, failed to restore the Unasur or close the trade deal with the European Union. In getting personally involved in the Argentine elections, he cast a shadow over Brazil's closest international partnership and muddled his participation at COP28 by joining OPEC+. According to a Brazilian saying, one should not do more than the necessary in politics. For the new year, wisdom advises Lula to better calculate his movements, abandon polarized narratives and rethink the avenues available for Brazil in global affairs. Being more pragmatic with his goals, he would have a better shot at the challenges at hand, like his bittersweet record in Congress or threading U.S.-China tensions. Maybe then he could bridge the gap to all his talk of peace and predictability."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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