

## DELEGATION OF THE EUROPEAN UNION TO BRAZIL

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Date: 21.12.2018

Classification:  
UNCLASSIFIED

To: EDITA HRDA, Managing Director Americas, EEAS

Subject: BRAZIL – Weekly report: 18 December – 21 December

### Summary:

**1. During a live broadcast on Facebook, President-elect Jair Bolsonaro (PSL) stated that his administration will withdraw from the UN Global Pact on Migration and adopt "very strict" criteria for immigrants to enter Brazil. He also congratulated President Michel Temer for signing the extradition decree for Italian Cesare Battisti and reaffirmed that the Cuban and Venezuelan leaders would not be invited for his inauguration ceremony.**

**2. President-elect Jair Bolsonaro (PSL) discussed on 19 December with his cabinet priority measures to be implemented in the beginning of his administration.**

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**4. Future Economy Minister, Paulo Guedes, announced on 20 December the creation of an advisory board with specialists to help Jair Bolsonaro's (PSL) administration prepare its proposals for the Social Security reform.**

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**14. President Michel Temer and Foreign Minister, Aloysio Nunes, attended the 53th Summit of Heads of State of Mercosur in Uruguay and demonstrated confidence on the continuity of negotiations between MERCOSUR and the European Union after President-elect Jair Bolsonaro (PSL) takes office.**

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**Detail:**

**Government transition:**

**1. In a social media live broadcast, 18 December, President-elect Jair Bolsonaro (PSL) confirmed earlier announcement by future Foreign Minister Araújo, that Brazil will leave the UN's global pact on migration:** "Unfortunately, the current Foreign Minister [Aloysio Nunes] has signed an UN migration pact. I think everyone knows what is happening to France, it is simply unbearable to live in some places there. [...].We are not against immigrants, but to enter Brazil, there must be a very strict criterion". Incidentally, Gerard Araud, the French ambassador to the United States, replied to comments made by president-elect Jair Bolsonaro, who claimed that France has become "simply unbearable" to live in because of immigration. "63,880 murders in Brazil in 2017, 825 in France. No comment" wrote Mr. Araud on social media. He also reaffirmed that "the Cuban and the Venezuelan dictators" were not invited to his inauguration ceremony, stating "after all, it is a democracy party". Bolsonaro also said that 200 of the Cuban doctors who have already left Brazil termination the agreement over the "More Doctors" programme were working for the Cuban government or Army and "did not have anything to do with Medicine". Talking about indigenous, Bolsonaro said that "indigenous people want to integrate into society...they are human beings just like us". If in Bolivia there is an indigenous president, why in Brazil they have to remain excluded as if they were in the Stone Age?" Bolsonaro also referred to the Supreme Federal Court (STF), stating that "maybe one day the Supreme Court will wake up and help us to explore indigenous lands rationally for the benefit of the indigenous people themselves". Bolsonaro referred specifically to the "Raposa Serra do Sol" reserve. The 4.2

million-acre area contains vast mineral reserves including niobium which Bolsonaro considers as a strategic resource. It is estimated that 17.000 indigenous people live in the region.

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**4. The new advisory board announced by nominated Economy Minister, Paulo Guedes, will be linked to the Secretariat of Social Security of the new Ministry of Economy and will be headed by current Federal Deputy Rogério Marinho (PSDB - RN):** The president of the Central Bank (BC) during former President Fernando Henrique Cardoso’s term, Armínio Fraga, and Economist Paulo Tafner will participate in the new organ. Fraga and Tafner have developed a proposal for the Social Security reform which aims to save BRL 1.3 trillion (€ 295 billion) in government spending in the ten years. The board will also include economists Solange Paiva, José Marcio Camargo, Fábio Giambiagi and Aloisio Araújo.

**Internal developments**

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**9. Mining companies have 6.871 opened applications for research and exploration of indigenous reserves, totalising 29.8 million hectares - equivalent to sum of the states of São Paulo and Rio de Janeiro:** The data, from 2018, was provided by the Social Environment Institute (ISA) including information from the National Mining Agency (ANM). Most of the applications have not gone beyond the initial phase, in which the company requests authorization to research the territory. After this step, the company still needs to report to the government on the resources found. Only then will the company present the mining request, which, if accepted, guarantees the exploration. Today, mining within indigenous lands is not permitted.

### **Economic developments**

**10. The new injunction contesting Boeing and Embraer's deal has among its requestors the Metalworkers' Union of the city São José dos Campos, which hosts one of the main production centres of Embraer in the country, and the National Confederation of Metalworkers:** According to them, an open company (Embraer) is legally prohibited to join a closed one (Boeing). Furthermore, they argue that "a joint venture assumes that the two companies involved have a commercial and industrial partnership. However, Boeing will have 80% of the social capital and 100% of the operational and management control of the new company". On 17 December, the administrative council of Embraer announced that the amount Boeing will pay for 80% of the company's commercial division will be 10% higher than originally announced. Instead of US\$3.8 billion, Embraer will receive US\$4.2 billion. This is so because the estimated total net worth of the new company rose from US\$4.75 billion to US\$5.26 billion. The government still maintains a golden share in Embraer and must approve the deal by 16 January 2019. Vice president-elect, general Mourão, stated in an interview that if President Temer reaches out to President-elect Bolsonaro (PSL), the negotiations can be concluded rapidly. One of the most controversial points of the deal is an option for Boeing to buy, in ten years, 100% of Embraer's commercial jet division. According to Brazilian authorities, despite Boeing being able to make a move for the shares, the buying is unlikely to happen since the government will maintain veto power through its golden share. The agreement also establishes that the future joint venture needs Embraer's approval to transfer its production to another country. The two companies have also agreed to create a third firm to manage Embraer's KC-390 military transport plane. Embraer will hold 51% of this company and Boeing 49%. On 14 December, Brazil submitted to the Dispute Settlement Body of the WTO the first written petition in the case about government subsidies to Canadian plane-maker Bombardier estimated in US 4 billion. Bombardier, Embraer's rival, has recently partnered with European company Air Bus, a competitor to Boeing. Canada is now expected to respond to the petition by March 2019.

**11. Brazil creates 58,700 formal jobs in November:** latest data released by the Ministry of Labor indicate Brazil created 58,700 formal jobs last month. This is the best result for this month since November 2010. Last year in November Brazil lost 12,300 formal jobs. This improvement is partly due to increased activity in the Christmas period, and partly to the better performance of commerce (+88600) and services (+34300) sectors, while industry and construction registered job losses (-37600). Overall, the economy remains in a period of sluggish recovery, with unemployment rates still high and taking too long to go down. Last month's results were good, but since the recession job increases have been concentrated in the informal job market, which employs four out of 10 Brazilian workers. Brazil's unemployment rate currently stands at 11.7%, which is higher than when   Art.4(1)(a) 3rd indent   in 2016. This is expected to drop only 0.2% next year, taking until the end of 2020 to go below double figures. **Brazil fell five places and retreated to the 95th position in the report on gender inequality of the World Economic Forum:** In the general ranking, Brazil appears with 0.681 points (the worst rate since 2011) on a scale ranging from zero to one (one being the highest degree of parity): The index, published since 2006, gathers data from 149 countries and analyses the progress achieved

in gender equality in four thematic dimensions: economic opportunity, political empowerment, educational level and health and survival. In the Brazilian case, according to the study, the main reason for the worsening of the ranking was the economic opportunity index in which the country fell nine positions, from 83rd to 92nd. This indicator includes participation in the labour force and equal pay for similar work. In this last item, the country ranked 132nd in comparison to 119th in 2017. There was also a decline in political empowerment (110th to 112th) and women’s presence in Congress (121st to 126th).

**Foreign Policy**

**12. The White House Press Office announced, 17 December, President Donald Trump will send a delegation, headed by State Secretary Mike Pompeo, to represent the United States in the inauguration ceremony of President-elect, Jair Bolsonaro (PSL):** Mark Green, head of the US agency for international development, William Popp, US chargé d’affaires a. i. in Brasilia and Mauricio Claver-Carone, director of Western Hemisphere affairs at the National Security Council will join the delegation. Before the ceremony, Bolsonaro will hold a meeting with Israeli Prime Minister, Benjamin Netanyahu. According to Israeli media, the meeting is scheduled to take place at Bolsonaro's residence, in Rio de Janeiro, on 28 December. It is the first diplomatic visit of an Israeli head of state to Brazil and the second to Latin America. In 2017, Netanyahu visited Argentina, Colombia and Mexico.

Out of scope

**14. President Michel Temer and Foreign Minister, Aloysio Nunes, participated, 18 December, in the 53th Summit of Heads of State of Mercosur and Associated States in Montevideo. At the end of the Summit, the Pro Tempore Presidency of the bloc will pass from Uruguay to Argentina:** In an interview on 17 December Nunes stated that Mercosur has come “very close to signing the agreement, and this past time has not been in vain. The new government of Brazil and the next representation of the European Union can continue from something already constructed, provided the nationalist and protectionist wave does not continue to prosper in Europe”. In an interview on 18 December, President Temer stated that “Bolsonaro’s position is to revise Mercosur’s issues, but these revisions are constant and [...] this does not mean necessarily an opposition to the bloc”. An article from Brazilian national newspaper, “O Globo”, stated that Bolsonaro’s economic team is considering a proposal to retrocede Mercosur from its current customs union status to a free-trade zone in order to facilitate the establishment of Brazilian bilateral agreements.

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