

GLOBAL STRATEGY FORUM

EDITION No. 34 - SEPTEMBER 2020

*The 34th in our series of expert comment and analysis, by **Peter Collecott CMG**, British Ambassador to Brazil (2004 to 2008); Co-Chairman of The Ambassador Partnership. As always, the views expressed are those of the author and not of Global Strategy Forum unless otherwise stated.*

Brazil: A Serious Country In A Serious Mess

Brazilians have an endearing brand of self-deprecating humour. They continually say that Brazil is the country of the future – and always will be; and describe the trajectory of their economy as the flight of a chicken – at one moment it is like an eagle taking off, and beginning to soar to the heights; at the next it is plummeting to earth again, and you realise that it was only a chicken after all. This humour is meant to camouflage the embarrassment that Brazilians feel when their country, of which they are very proud, fails to live up to their and others' expectations. They are in need of such balm now, and many Brazilians are feeling it not enough to lift their despondency.

Between 1930 and 1985 – a period when Brazil was ruled by a series of more or less authoritarian regimes, punctuated by flawed attempts at democracy – the economy grew

at one of the fastest rates in the world, albeit from a low base. Statism and autarky were preferred, but the basis for future great success in agriculture, mining and aerospace was laid.

The period from 1985 onwards, when the military regime gave up its attempts to run the country, was remarkable in other ways. Robust institutions of democracy and civil society established themselves very quickly; and, after a number of failed attempts, rampant inflation was tamed. From 1990 the first steps were taken to privatise major industries, and to liberalise the economy – helping to build strong export-oriented industries, although still leaving the country protectionist and inward looking. At the same time, under the Presidency of Fernando Henrique Cardoso, serious steps were taken to tackle the crises of poverty and inequality which continued to plague the country.

Brazil's timing was good. Earlier, Brazil had not been ready to benefit from the first wave



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of globalisation from 1870 to the beginning of the First World War in 1914. Slavery was only abolished in 1888, and the monarchy overthrown in favour of a republican system the following year. Dealing with these twin revolutions – moving from a slave to a market economy, helped by massive stimulated immigration from poor areas of Japan and Southern Europe; and establishing a new, stable polity – took a generation or two, and many would consider is still unfinished business. However, the retreat from military dictatorship and the liberalisation of the economy from 1985 onwards came just as Gorbachev was coming to power in the USSR, heralding the end of the Cold War, and the beginning of the second wave of globalisation. Brazil was a massive beneficiary of the rapid increase in world trade and the commodities boom of the early 2000s. Brazil produced, and continues to produce, the food and minerals that an expanding and increasingly wealthy world needed.

Brazil's perceived success, as an economy and a society, came to a head under President Lula da Silva, who succeeded President Cardoso in early 2003. His election, after three failed attempts, was celebrated as breaking the mould of Brazilian politics. He was the first President not from the highly privileged economic and social elite, at the head of a party, the PT (Workers' Party), who projected themselves as different in makeup, *modus operandi* and policies from the many other parties – drawn from a wide cross-section of 'progressive' society, not corrupt, and with a large social agenda. However, Lula felt it prudent in the 2002 elections to modify the Party's more radical economic inclinations,

and pledge to follow more orthodox fiscal and monetary policies. After a couple of years, the economy took off, riding the wave of globalisation with an export-led boom.

The discovery of very substantial reserves of offshore oil and gas seemed like a confirmatory bonus. Lula declared that Brazil's Golden Age had finally arrived. Brazil was seen as a serious country not just because of its size and population, but also for its economic success, including rapid reductions in poverty and inequality, and for the political influence Lula began to wield, particularly in the developing world, as he travelled extensively, bathing in his country's success and his reputation as a supporter of the poor. Brazil was one of the BRICs, changing the world economy and its political balance; and aspired to become a Permanent Member of the UN Security Council.

Unfortunately, the eagle turned itself into another chicken rather quickly. Brazil survived the Global Financial Crisis rather well to begin with. The economy hardly faltered, as pent up domestic demand took up the slack as exports weakened. However, this could not last as domestic debt grew and the Government of Lula's successor, President Dilma Rousseff, made a series of policy mistakes. By 2013 the country was in a deep depression, and also facing widespread social unrest as the large aspiring lower-middle class revolted against bad public services despite high levels of taxation. Added to the mix soon after was a massive corruption scandal focused domestically on the ubiquitous state oil company, Petrobras, and its major contractors conspiring to fix contracts and



syphon money to political parties; and across South America on Brazil's largest construction firm, Odebrecht, and its industrial-scale bribery of many Governments.

It turned out that, politically at least, Brazil's Golden Age had dodgy foundations. Lula may have been the first non-elite President, but he did not break the mould of politics. Venality and nepotism still flourished. Lula's greatest failure of leadership was probably in July 2006 when he was interviewed at Versailles while on a State Visit to France. Asked to comment on the corruption scandal then rocking his Government over illegal payments to minor parties to keep them loyal, he failed to use his immense prestige at the time to condemn the activities as part of the 'old Brazil' he was determined to leave behind, and said instead: 'What's the problem? All parties do it.' So, the PT was not unlike all other parties, as was claimed, but deeply corrupt, and is now riven with factionalism. Lula himself was convicted of corruption, and his chosen successor, Rousseff, impeached, although for rather minor electoral offences, not major corruption.

It was against this background, that, at the 2018 elections, the Brazilians chose as their President Jair Bolsonaro, a long-term Congressman known only for his misogynist and racist outbursts, and for his support of the previous military dictatorship. The traditional political parties were deeply compromised by their failures in Government and the corruption scandals; no generation of new leaders, or substantial new parties, had arisen; the people were prepared to gamble

on an untried right-wing politician who promised a return to order and prosperity.

In many ways Bolsonaro has lived up to his billing as a 'Southern Trump'. He is populist and deliberately provocative and presides over a chaotic and largely unqualified Government. The exception is economic management, which he has left largely to his Finance Minister, although the two are now at odds over handouts to alleviate economic hardship during the coronavirus pandemic. Like Trump, Bolsonaro denies the seriousness of the disease, flouts measures to contain it, and seeks to escape responsibility for the handling of the pandemic. Again like Trump, Bolsonaro is a climate change sceptic, has a tough law and order approach, and has sought to undermine judicial processes, in particular anti-corruption investigations involving his family or associates.

It is judged that Bolsonaro does not have the political strength fatally to undermine the institutions as he may wish to. On the other hand, the political opposition does not have the strength to impeach him, as they would wish. There is a standoff, and, with Bolsonaro's approval ratings staying relatively stable at about 35%, he is reckoned to be well-placed to win re-election in 2022, in the absence of a resurgence of the PT, and no prominent centrist leaders.

Choosing Bolsonaro was never going to rescue Brazil from its present predicament. GDP is predicted to contract by about 5% in 2020, and to grow by about 3% in 2021, but will still be some 30% below its peak



in 2011. GDP per head is continuing to fall, and inequality to rise, undermining much of the progress of the past decade. While there is continuing discussion of further economic reform, the Government has a serious fiscal crisis, which the President is exacerbating, and long-term problems over efficiency in both the public and private sectors. This malaise is affecting the wider middle class as well as those lower down the social scale, leading to social discontent, currently not spilling onto the streets, coupled with despair over the dysfunctional political system. At present there is no clear path out of this continuing economic, social, and political crisis.

It looks as if Brazil, a serious county with serious problems, is destined to remain 'the country of the future' for some years yet. The economic problems are not just conjunctural but structural. The necessary reforms to not only the tax regime and the whole fiscal system, but also, *inter alia*, to the educational, health and judicial systems and the structure of labour relations, are long overdue, but will not be realised without a deep reform of the political system and the manner of doing politics; and none of this will happen without some fundamental realignment of social attitudes, finally leaving behind elitist

structures which have defined the society for so long.

All this matters most directly to the Brazilian people. However, it also matters more widely. Brazil is the leading country, politically and economically, in Latin America, a continent struggling to maintain stability and economic growth, and feeling left behind by global developments – except Coronavirus. More broadly still, Brazil has stopped being an active and moderate actor internationally, a strong supporter of multilateralism, and a powerful voice on climate change, biodiversity and social equality issues. It will be in all our interests if Brazil can overcome its multiple crises and be the successful country it yearns to be.

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September 2020

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