



Political Situation in Brazil

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Brazilian President Dilma Rousseff was suspended from her office as the Brazilian senate voted to impeach her. The Brazilian President has now been relieved of her duties for no less than six months and both houses of the senate voted in favour of her impeachment. Dilma Rousseff who came to office with 54 million votes in her favour, now has an approval rating of less than ten percent. The impeachment of the Brazilian president comes in the wake of one of the worst economic recessions that Brazil has suffered and the unveiling of the Petrobras corruption scandal. The Workers Party (PT) leader has been held accountable for the economic woes of the country and has questions have been raised on her abilities as a president because of the Petrobras scandal.¹

Brazil is the fifth largest country in the world by landmass and the eighth largest economy by GDP purchasing power parity. It also constitutes 42 percent of the landmass in the Latin American continent and its largest economy. Brazil has, in the recent past, acted as a driving force for the region's political and economic progress in the International arena.²

However, presently, Brazil is in the middle of the greatest economic recession it has suffered in the past thirty years. The Brazilian recession is the result of multiple factors; the slowdown of Chinese economy is one of them. China, United States, Netherlands, Germany and Argentina are responsible for 45 percent of Brazilian exports. Brazilian economic growth was fundamentally fuelled by the expanding Chinese appetite for Brazilian commodities. Between

2010 and 2013, Brazilian exports to China rose from \$ 20 billion USD to \$ 45 billion USD. Brazil supplied oil, soy bean and iron ore to China and imported electronics and capital goods. Brazilian companies like Petrobras and airplane manufacturer Embrar also benefitted from this trade. With the slowdown in the Chinese economy, their demand for Brazilian goods declined which affected the Brazilian economy directly. The decline in the value of Yuan resulted in reduced profit margins for Brazilian goods. During 2013-2015 Brazil endured a loss of \$12 billion USD in foreign sales. The declining oil prices also added to the economic slowdown of the country.³

When recession is coupled with the Petrobras scandal, the economic future of the country is bleak. President Dilma Rousseff who has been impeached was charged with administrative misconduct and disregard for federal budgeting. She has also been accused of manipulating funds of the government run oil company – Petroleo Brasileiro (Petrobras).

PETROBRAS SCANDAL

At the heart of the current crisis in Brazil is the state run oil company Petrobras. From 2000 to 2014, the state run energy firm was allegedly involved in large scale bribery and corruption. This arrangement for corruption began when the Brazilian economy was witnessing a period of commodities' boom during the 2000s, a time when oil prices were also high and the economy as a whole was on an upward swing. The arrangement allegedly involved high officials at Petrobras, executives from leading construction firms of Brazil and Brazilian politicians.

The scheme allegedly worked for symbiotic gain for all the three parties involved. The construction executives formed a clandestine cartel to coordinate the bidding for Petrobras contracts. With the help of this cartel, the construction executives overcharged Petrobras for each contract. High-level officials at Petrobras knowingly overlooked this practice. The construction executives would pay heavy bribes to these officials with the large sums of money they had earned by overcharging Petrobras.

A portion of this 'profit' would also go to Brazilian politicians as a gift or as a donation to their campaigns. Since Petrobras is a state-run entity, the politicians had control over the appointments of officials to the company. Therefore, a share of the entire proceedings also went to them.⁴

While the official figures for the exact sum of money that changed hands during this operation has not been released by Brazilian authorities, according to a *New York Times* article, a sum upwards of \$5.3 billion USD circulated as a result of this corruption scheme.⁵

The Petrobras scandal was uncovered under operation – Lava Jato or Operation ‘Car Wash’, named so because Car Wash stations were often used to launder the money that was involved in the Petrobras scheme.

THE CONSEQUENCES

Once the Petrobras scandal came to light further investigations were made. It was found that bribe money was sent to members of all political parties. The politicians who have been engulfed by the corruption scandal come from a wide range of political spectrum and this includes all major political parties – Partido dos Trabalhadores (PT) and Partido da Social Democracia Brasileira (PSDB). Dilma Rousseff belongs to the PT and the PSDB has played the role of the opposition in the Brazilian Congress since 2002.

The Brazilian agencies found a total of 47 politicians guilty on various accounts of bribery, money laundering and corruption, the matter is sub-judice for most politicians. However some have been convicted in the scandal. This includes Joao Vaccari Neto the former treasurer of the Workers Party who has been sentenced to 15 years on charges of corruption and money laundering⁶. Another politician to be convicted is Eduardo Cunha, the President of the Chamber of Deputies, who was the pioneer of the campaign against Rousseff has been removed his post as the Head of the Chamber of Deputies in a unanimous decision on 5th May. He has been accused of intimidating lawmakers and obstructing the investigation against his undeclared Swiss Bank Accounts.⁷

Michel Temer, the Vice President of the Rousseff government, who is now planning to step in as the president in case President Rousseff since she has been impeached also has corruption, charges against him.⁸ Former Brazilian President Luiz Inacio Lula da Silva has also been charged with money laundering by the investigation agencies. He is among the 16 who have been charged with money laundering. His son and his wife also feature on the list. Lula has been a mentor to the current President Dilma Rousseff.⁹

No evidence of corruption, receiving bribes or money laundering has been found against Dilma Rousseff however, she has been charged with misadministration and disregard to federal budget. She has been accused of using funds from state – funded banks for popular social welfare programmes like the Bolsa- familia without revealing her actions¹⁰. The fact that the largest corruption scandal unfolded under her presidency led to a steep decline in her approval ratings as well as calls for her resignation. Dilma Rousseff was categorical that she was opposed to resignation and, hence, a call for her impeachment was made in the Congress by the leaders of the opposition, heading this group was Eduardo Cunha. Dilma Rousseff has labelled the attempt at her impeachment a – judicial coup.¹¹

Rousseff rapidly lost support as members of her cabinet started to defect to the other side as well as political allies to the ruling coalition started pulling their support. Those close to Rousseff were also charged on various accounts of malpractices. This has reflected adversely on Rousseff. The latest addition to the list is Rousseff's campaign manager, Joao Santana, who has been charged with using tainted money to fund the campaign.¹²

THE CURRENT SITUATION

Brazil is not a stranger to corruption scandals; Brazil has had many in the past, such as the Mensalao Scandal, Cansei, Privataria Tucana to name a few. Brazil also suffers from rigid social hierarchies that have based themselves on racial lines. The Petrobras scandal has once again exposed the deeply entrenched chasms of class divide.¹³

A dichotomy has emerged among the Brazilian population with the unveiling of this scandal. Those who have become embroiled in this scandal belong to the rich and powerful social class. Most in this class also happen to be of Caucasian descent.

Dilma Rousseff comes from a party with communist leanings and represents an ideology that bases itself on equality among people and destruction of social classes. While this appealed to a section of society that saw Dilma Rousseff and former President Lula as politicians working in their favour, those who traditionally belonged to the upper crust of the society have also resented attempts at equalization.¹⁴

Brazil has seen protests in the streets supporting and opposing Rousseff's impeachment. As the threat of impeachment became more real, those in favour of Rousseff have amplified their attempts at warding off the impeachment proceedings. Brazil saw the largest organized civil disruption that was spread across nine cities. The supporters stopped traffic on 30 national highways in the biggest Brazilian cities including Sao Paulo, the largest city of Latin America and the capital Brasilia. Supporters have warned of civil disruption at a much larger scale if impeachment proceedings continued. Dilma Rousseff has also appealed to the UN for help from what she has termed as a 'Judicial Coup'.¹⁵

The reasons why Petrobras scandal has gained such notoriety in a country that sees corruption as a common practice are several. Firstly, the scale of Petrobras scandal is unparalleled. The amount of money involved is unprecedented and no other previous scandal even comes close to the sum that has exchanged hands in this scandal.

Secondly, the scheme also led to the financial ruin of Petrobras. The firm used to be one of the most successful ventures of the Brazilian government and had never registered loss since 1991. Petrobras reported a loss of 6.6 billion *Real* as a result of the corruption losses.¹⁶

The fact that Brazil is already facing an economic recession has made matters worse. Petrobras is a large entity in Brazil; it alone is responsible for 12 percent of Brazilian GDP. Due to the corruption losses and also due to decline in oil prices, the company is now forced to reduce its investments by 37 percent over the next five years. This will translate into systematic lay-off of workers and those most affected will be the under-privileged.¹⁷

A name that has emerged as symbol for justice is that of Judge Sergio Fernando Moro. Moro is the Brazilian Federal Judge, who is leading the Lava Jato court proceedings. The Lava Jato or the Car Wash operation was the operation that revealed the Petrobras Scandal. The peculiar name comes from Car Wash Stations that were used to store cash from the Petrobras corruption scheme. Judge Moro gained national fame as someone determined to serve justice. He released the phone conversation between President Rousseff and Lula, an act that might point towards vested interests, but earned him approval of the Brazilian people for his aggressive tactics and dedication towards the truth. Some believe that judge Moro may appear as a political figure in the coming future.¹⁸

The current political scenario points towards a future that displays a vacuum for political leadership and a paucity of alternatives. Even as Michel Temer gets ready to lead Brazil until the end of Rousseff's term, he suffers from approval ratings that are akin Rousseff's. Temer also faces investigations against him. The charges filed against former President Lula, have had an impact on the Brazilian psyche. Political leaders now believe that no one in Brazil is above the investigations and there is fear and uncertainty among the politicians about who might be in line to be questioned and/or prosecuted. The Lava Jato investigations have also revealed the deep-rootedness of corruption in Brazil. The Brazilian population that was already suffering from an economic recession is now gripped with a feeling of dismay and frustration. The mood of the Brazilian nation is sombre.

The political future of Brazil is uncertain. There are no clear untainted alternatives to an impeached Dilma Rousseff. The Vice- President, the Speaker of the Senate- Renan Calheiros and the Deputy Speaker of the Lower House- Waldir Maranhao; all faces corruption charges, the Head of the Chamber of Deputies has been removed by the Supreme Court and with most politicians worried about their political future, there is a reluctance to display any aspiration to assume the role of a leader. The growing distrust for conventional politicians has worked in the favour of federal Judge Moro, who has emerged as an 'outsider' who might be the uncorrupted leader that Brazil needs. However, it remains to be seen if Judge Moro can become the new face of political leadership in Brazil. This period of uncertainty and frustration coupled with the Brazilian economic slowdown will have an impact on the Brazilian position in multi-lateral forums like the BRICS, IBSA, G-20 etc.

Rousseff's impeachment has divided the country into two, a divide that can be juxtaposed on the conventional racial and economic divide of Brazil. As Temer gets ready to lead the country, after months of canvassing, he will be welcomed by a senate that is all male and dominantly white. On the other side of the spectrum are people who see Rousseff's ouster as a setback to all social welfare schemes and demand another election within six months with Lula as their leader.

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The only certainty that emerges is that the political leaders of the country, whether they remain the same or new ones come to power, will have to work hard to re-build the politico-economic character of the country.

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The views expressed are that of the Researcher and not of the Council.

Endnotes:

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