

## BRASILIEN

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## Mass Protests and Political Gridlock

BRAZIL AMID A CORRUPTION SCANDAL, ECONOMIC CRISIS AND THE IMMINENT IMPEACHMENT OF THE REPUBLIC'S PRESIDENT

**Barely five months prior to the beginning of this year's Summer Olympic Games, Brazil is setting up negative records: Amid a historical economic crisis, the disclosure of the largest corruption network of the country's history has reached a new acme through the accusations against former president Luiz Inácio "Lula" da Silva. In the meantime, President Dilma Rousseff stands on the eve of a definitive rupture with her most important coalition partner and fears for her presidency in view of a running impeachment process. Now, millions of protesters are calling for her immediate resignation.**

On March 13th, great parts of the Brazilian population within more than 250 cities took to the streets; observers estimate more than 3.3 million participants. However, these numbers need to be considered with care, given that they were not registered by independent institutions, but by the events' organizers or by the police of the federate states, wherein the political tilt of their respective administrations reflects itself. Nevertheless, these demonstrations should be deemed meaningful: Because what is being discussed is whether they drew more people than the heretofore record-manifestations of 1984, which called for the end of the military rule and for direct presidential elections.

The protester's verbal choirs and visual displays called for "out Dilma" and "out PT", i.e., the end of President Dilma Rousseff and her Workers Party (Partido dos Trabalhadores, PT), which since 2002, uninterruptedly, holds the country's governmental

reins. Particularly worth of mention was that even in the structurally-weak northeast, traditionally a PT stronghold, of Latin America's largest country, there were anti-government protests. It hardly came to counter-manifestations by Workers Party supporters, so that possible clashes did not materialize. Nevertheless, it remains to be seen, what the turnout shall be in the pro-government manifestations announced for March 18<sup>th</sup>.



Protests on March 13<sup>th</sup> 20 in São Paulo  
Photo: Rovena Rosa/Agência Brasil

At a first glance it seems surprising that the Brazilian population is so critical vis-à-vis the country's President and Head of Government, given that at the end of 2014, it confirmed her, albeit narrowly, for a second term in office. What had happened? And why do the manifestations show such a high turnout, when in the past year similar calls mobilized clearly less numerous crowds?

### Corruption Scandal "Lava Jato" Closes in on Economy and Politics

An important aspect, that sheds light on the mobilization of broad segments of the population not only against the administration,

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but also in a broader sense against "Politics" in general, are the daily new corruption disclosures. These are currently at their sad acme through the Petrobras-Scandal (pursuant to public prosecution a money-laundering locality code-named "Lava Jato", i.e. Carwash): As of 2014, beginning with the semi-public oil corporation Petrobras, the greatest corruption network of the country's history is being unravelled.

At least R\$ 6.4 billion (approx. 1.5 billion Euro) – in fact almost 0.5% of the 2015 GDP seems to have been embezzled. To date, 179 market executives, politicians including senators and representatives of all political parties, as well as numerous companies have been accused. In addition to corruption, the accusations include money-laundering, tax evasion, drug-trafficking and the formation of criminal organizations. The extent of these systematic corruption practices have shocked even the corruption-familiarized Brazilian population and strengthened its mistrust vis-à-vis political and market elites.



Pres. Rousseff next to Lula, on occasion of her inauguration ceremony  
Photo: Fabio Rodrigues Pozzebom/Agencia Brasil

The corruption network is now threatening to close in on President Rousseff's administration: in the past month of October a parliamentary committee still came to the conclusion that the President had not been involved in the aspects being investigated in the "Lava Jato" proceedings. The fact, that from 2003 to 2010 she was chairwoman the oil concern's supervisory board – currently at the centre of the scandal – allows the critics of the above mentioned committee to harbour renewed doubts regarding its conclusions. At the beginning of March these suspicions gained strength through the

statements of a senator (and party member of Pres. Rousseff) – which he made, albeit, as a leading witness and possibly motivated by a leniency agreement.

Weightier accusations have been lodged against Pres. Rousseff's political patron, the popular former President Luiz Inácio "Lula" da Silva (PT): At the beginning of March, he was picked up at his residence – under significant police presence and media coverage – and questioned about asset and real-estate concealment. Currently a pending-trial custody motion is being examined. Thereupon the President offered her predecessor to become her chief of staff (the highest cabinet rank). Her offer was promptly accepted by "Lula", who now enjoys the benefit of certain immunities against prosecution ("foro privilegiado"). The accusations against the former president are likely to have been a strong catalyser of the mass protests, precisely because Lula's social-ascendant background – from metalworker to president of the republic – had been regarded as the antithesis to the country's traditional political elite and to corruption.

### Brazil's Economy in Most Severe Crisis since 1930s

However, the primary problem facing President Rousseff at the moment, are not accusations of taking part in the corruption scandal, but the profound political crisis involving her administration and the population's lack of support. The approval ratings of her administration hover around the 10% mark – thus exceeded even by the inflation rate, as critical observers readily emphasize.

Jointly responsible for the population's dissatisfaction with the President's governance is the deepest economic crisis since the 1930s. Triggering it were the sinking prices of commodities, which particularly affected the country's market concentration on their exports. The domestic currency, the Real, lost almost 60% of its value vis-à-vis the Dollar since the all-time high in 2011, so that imports have become correspondingly costlier – however an increase in the volume of lower-priced exports did not materia-

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lize. The 2016 household income is expected to shrink by one fifth vis-à-vis its 2010 peak. (Estimate pursuant to The Economist). This causes domestic demand - which is accountable for 80% of the Brazilian value-added taxation - to sink as well, thus providing additional impetus to the economic crisis. The new middle-class ascendants are, therefore threatened of slipping back into poverty.

Just as "Lula's" presidency profited from external aspects, such as commodity prices, these same aspects now worked against President Rousseff's support within the population. However, most importantly, her administration failed to carry out economic-policy reforms, to meet the structural reasons of the crisis - excessive bureaucracy, corruption, lagging competitiveness and diversification of the domestic industry.

### Many Ways Can End a Presidency

Against this backdrop, the President is currently, confronted by several processes that could cut short her regular term in office i.e., in 2018: The leading opposition party, the PSDB (Partido da Social Democracia Brasileira - Brazilian Social Democracy Party) lodged both applications for Rousseff's impeachment and the annulment of the past presidential election. In both cases legal proceedings were instituted.

As customary in presidential democracies, the President is simultaneously head of state and of the government and wields encompassing powers. The impeachment process expands the legislative's - usually limited - capacity to act. Currently, neither in the house of representatives nor in the senate, can President Rousseff rely on a majority. In general, Brazil characterises itself by weakly-institutionalized parties and frequent party-switches of the representatives; in addition, there are, currently, 28 parties in the house of representatives so that majorities need to be reorganized on a quasi permanent basis.

The impeachment process against President Rousseff is the third in Brazil's history: In 1952 President Getúlio Vargas withstood the

voting procedure, whereas, in 1992, President Fernando Collor de Mello chose to step down from office prior to being ousted due to strong corruption accusations. In the case of President Rousseff alleged fraud in the preparation of the 2015 budget, constitute the objective reason of the request for her removal from office.

The actual reason for the initiation of the procedure, however, is politically motivated: At the end of 2015 a request for the waiver of parliamentary immunity of Eduardo Cunha - Head of the House of Representatives was approved, inter alia, with votes of President Rousseff's Workers Party, given that serious accusation had been filed against him in the "Lava Jato" scandal. Thereupon, Cunha who as a member of the PMDB (Party of the Brazilian Democratic Movement) is part of her coalition government, but had long been critical of the President, lodged an application for her Impeachment. Currently, a committee is being set up within the House of Representatives for the analysis of the accusations against President Rousseff. In the event that the committee's analysis should prove detrimental to the President, the next step would be a vote in the House of Representatives' Plenum. For a continuation of the process a two-thirds vote majority is required.

Pursuant to the outcome of this vote, the President shall, temporarily, be relieved of her governmental duties and the vice-president shall take over her office ad-interim. Ultimately, the seriousness of the accusations shall decide whether only the Senate (regarding office malpractices) with a two-thirds majority or the Country's Supreme Court shall have the final decision-making authority to definitely impeach the President. In the event of an impeachment, the vice-president as the new president shall take over her term to its regular end i.e., Dec. 31st 2018.

### Possible Annulment of the Presidential Elections

Even if the President should ride out the impeachment process, she would still be threatened by an illegal election-campaign

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financing process. The supreme electoral court is currently examining whether her and of her vice-president's re-election campaign in 2014 was co-financed through bribery monies of the "Lava Jato" scandal. In reply to these accusations, the President claimed, that her re-election campaign had, ultimately, been financed by the same companies as those of the opposition's campaign – words which do not seem to be taken out of thin air. Her election-campaign marketer, João Santana, who had helped Lula, as well as Hugo Chávez and Nicolás Maduro in Venezuela, to achieve electoral successes, is already in pending-trial custody. Should it, still in this year, come to the annulment of the election, direct presidential elections would be held. When, already, more than half the presidential term has elapsed, parliament would elect a successor.

Furthermore, President Rousseff could put an end to the presidency herself by resigning, as protesters of significant parts of the opposition called for on March 13th. The calls for her to resign, have repeatedly been played down and/or considered unfounded by President Rousseff. A resignation referendum is not set forth in Brazil.

Not an end to Rousseff's Presidency, but a limitation of her powers, would be a reform towards a (semi) presidential political system. Vice-President Temer spoke in favour of such a reform, and a senator of the opposition party PSDB as well, already drafted a petition (likely more symbolic) for constitutional reform. In fact, Brazil does not rely on good parliamentary experiences – the last attempt ended in 1964 with a military coup, followed by 25 years of military rule.

### **President Rouseff's Coalition Faces Rupture**

Thus, the President faces not only an opposition demanding her resignation (not at all surprising in view of the country's crisis) – but also a coalition partner, the PMDB, that keeps pouring oil on the flames, which could put an end to her presidency. In this manner, President Rousseff's coalition, compri-

sed of the PT, the PMDB and seven minor Parties, is confronted by imminent rupture.

As the primary coalition partner of President Rousseff's PT, the PMDB is also represented in the parliamentary houses by the leading and most influential factions and also holds their respective presidencies. Furthermore, in the cabinet it is represented by seven out of 31 of ministries and by the country's Vice-Presidency as well. Also at the state and local level the party is represented in government offices.

While, on the one hand, this power concentration can be deemed a clever move on the part of the President for securing the country's major party as her coalition partner, to the extent that in a cabinet meeting at the end of 2015 she agreed to confer it further ministerial positions of strategic importance. On the other hand, however, the PMDB's extent of power turns it into the decisive party in the country's current political game. This role represents nothing new to the PMDB: As a pragmatic-opportunistic party devoid of programmatic compromises it, traditionally, takes over the function of "kingmaker", given that it enjoys power-expectations on both sides of the fence and, frequently, on occasion of the constitution of governmental teams or the organization of majorities it represents the tipping of the scales. Nevertheless, the lacking policy-building skill represents a hurdle to the party's cohesion.

The PMDB is now playing out its trump card: on the day prior to the mass protests of March 13th at a party convention it was agreed that, within 30 days a decision would have to be made on its participation in the governmental coalition. A withdrawal from the coalition would have a direct impact on the majority conditions in the parliamentary houses and thus on the outcome of the impeachment process. Party segments had already openly severed ties with the President - now the entire party threatens to follow suit – and would thus not only factually but also formally reflect opposition policy. How this decision shall ultimately look like and whether it shall actually be

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made and sent, remains open – but its contents have assuredly been perceived.

There are many portents that the PMDB would be among the primary winners, no matter under which conditions the President Rousseff's term in office would end. With Temer as Vice President and Cunha as Head of the House of Representatives, the party hosts her immediate successors once she is removed from office or her election is annulled. Furthermore, as the leading faction in both parliamentary houses, it is a weighty player in a presidential re-election through parliament. Through the early distancing of party segments from President Rousseff, it might be successful in profiting from the demise of a government it was originally part of.

### What About the Opposition?

The special role of the PMDB is also interesting, given that the policy of this governmental party appears to be, at times, more oppositional than the actual opposition. It seems surprising that the latter has, so far, not been able to reap political capital from the huge crisis besetting the President. Even if it can exhibit procedural successes in the case for the termination of President Rousseff's term in office, it remains unclear, particularly whether the PSDB, as the leading opposition party, could transform the political momentum of President Rousseff's demise into an election victory

Nevertheless, for the first time since the beginning of President Rousseff's second term in office and prior to March 13th, opposition parties had quite actively called for manifestations. However, opposition leaders, which took to the streets to take part therein, were loudly jeered at, leaving the protests shortly after. The protesters, regardless of age, were mostly of the upper social brackets. The manifestations, particularly in the south and around the economic hub São Paulo – traditionally the centre of the conservative-liberal opposition parties – were the most numerous. Although the profile of the protesters corresponded with that of the conservative-liberal opposition clientele, only about one in each five, admitted

supporting the opposition. This points to a political disenchantment encompassing the political class as a whole

Apart from the opposition parties – several decidedly non-partisan and in their majority liberal-conservative and government-critical groups – decided to call for the manifestations by means of social-media mobilization. The demands of their young organizers associate the yearning for political change with a liberal economic-policy. Furthermore, and particularly in São Paulo, trade associations joined the calls for manifestations.

### Hope-bearer Judiciary

Notwithstanding the exposure of Rousseff, Lula and their PT to ridicule and criticism on occasion of the mass protests, the protester's new idols did not have their origin in the opposition, but in the judiciary. First and foremost, Sérgio Moro with Cape portrayed as "Super-Moro". From Curitiba, the federal judge conducts the investigations to clarify the "Lava Jato" scandal and through rigorous inquiries, sparing neither political nor und hat economical elites – previously unthinkable in Brazil – forged grand acknowledgment for himself and the judiciary.



Federal Judge Sérgio Moro  
Photo: Marcos Oliveira/Agência Senado

Nevertheless, the procedures of the judiciary and of the police within the framework of the "Lava Jato" inquiries were also criticized: Picking up Lula for questioning under the presence of some 200 police officers was strongly criticized, given that the former president had repeatedly confirmed his willingness to cooperate. Thus, the judiciary as well, must come to terms with the accusation of having used the process for political purposes.

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How justified the enormous growth of public trust in the judiciary really is, shall only be seen when, under different political conditions accusations against politicians shall also be investigated as rigorously. Only then, can a sustainable rule of law be acknowledged in Brazil.

### **Bottom Line: Paralyzed President Fears for her Office, Judiciary Gains Public's Trust Instead of Opposition**

At least since the end of 2015, due to inter-party, intra-party and personal confrontations Brazil finds itself in a political gridlock. Instead of carrying out urgently needed structural reforms to overcome the most serious economical crisis since the 1930s, President Dilma Rousseff is action-incapable and fighting for her political survival. The seat of her presidency is being sawed to bits by her coalition-partner, the opposition and the public – in current processes for her impeachment, the annulment of her re-election, as well as discussions in political circles and in the media on the introduction of a (semi) parliamentary system. How unhappy the population is with her administration became evident during the vociferous mass protests on March 13th.

It remains to be seen of how long President Rousseff shall be able to withstand the pressure – so far she has dismissed the calls for stepping down, but apart from shrinking popular support, she is now also steadily losing ground within her parliamentary coalition. Should her leading coalition partner definitely break with her, this would lead to significant developments in the majority proportions within parliament – even if this would firstly affect the impeachment process, in the event that the accusations against President Rousseff confirm themselves.

At the same time, it would be wrong to presume that a possible end of her presidency would also lead to a harsh defeat of her party. President Rousseff's PT has good ties to worker unions and social movements and, therewith, a significant mobilization potential; her electorate is closely bound to her. An end to her presidency does not, ne-

cessarily, mean a massive political change in power.

So far, the opposition has not been able to reap political capital from the governmental crisis. Only the judiciary has benefited from an increase in public trust. This seems symptomatic for the far-ranging political disenchantment of the population vis-à-vis "politics" – which, evidently, became even stronger in view of the huge corruption disclosures.

For parliament, in whose hands the further development of the impeachment process rests, its conduct in relation to the mass protests represents a balancing act: On the one hand, within representative democracies it is not the role of representatives to observe individual trends or protest slogans, but to construe long-lasting policy. On the other hand, the dialogue between government and the population is essential for social cohesion and a functioning democracy, particularly in a country with striking economic and social disparities, such as Brazil. Here, President Rousseff failed to observe the need for a broader explanation of her policies and, hence, of ensuring public support.

Brazil's parliament should not now react to the manifestations in short-sighted and action-prone manner, but instead, conduct the President's impeachment process or the annulment of the 2014 presidential elections with the utmost care and within the legal framework set forth for these purposes. In the event that this does not succeed, Brazil would lose the chance of polishing up its image on the international stage. The hosting of the Olympic Summer Games in August would represent an excellent opportunity.

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