

BRAZIL

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Brazil, perpetuum immobile

A PALLID INTERIM PRESIDENT CANNOT LEAD HIS COUNTRY OUT OF CRISIS, AS THE OLYMPICS DISCLOSES TO INTERNATIONAL ONLOOKERS

Shortly before the opening of the Summer Olympics, half of Brazil's population are critical of the Games and almost two-thirds believe that the Games will bring more problems than positive outcomes for the country. This is hardly surprising in a country that is being rocked by a massive economic and political crisis whilst also facing the threat to public health caused by the Zika virus. The interim president Michel Temer (PMDB) lacks the stamina to see through urgently needed structural reforms in the political arena. Nor does he personify the political renewal that would be necessary to overcome the crisis of confidence.

When Brazil was chosen to organise the 2016 Summer Olympic and Paralympic Games back in 2009, a huge sense of joy was felt across wide sections of society. The Olympics promised not only an economy-boosting package and innovative infrastructure projects but above all, international attention – which the self-confident emerging economy lapped up as its rightful due.

Preparations for the Olympics exposed structural problems

In all likelihood, the host country of the 2016 Olympics will be able to register positive effects, but nevertheless, the preparations for the Games exposed the country's structural problems: amid revelations of the "Lava Jato" ("car wash") corruption network surrounding the parastatal oil company Petrobras, corruption allegations were also rife in connection with construction projects for the Olympics. Furthermore, the State of Rio de Janeiro declared a "state of financial

emergency" in June – an instrument normally invoked in response to incidents like natural disasters – in order to receive financial support from the federal budget. However, this financial aid will solve none of the State's many pre-existing problems in sectors such as health care or education.



Members of the Navy on exercise for the Olympics
Picture: Gabriel de Paiva/Agência O Globo

For many months prior to this, the State had stopped or reduced its civil servants' salary and pension payments. Rio's police and fire services have also been kept waiting for part of their pay. Economies were also made on fuel for vehicles and helicopters; in a city where security is already precarious and in view of the imminent Olympics, this really was playing with fire. Then, two weeks before the opening of the Olympic Games, ten Brazilians were arrested on suspicion of planning a terrorist attack during the Olympics.

Brazilian politics paralysed by the controversial presidential handover

When the eyes of the world focus on Brazil for the opening ceremony of the Summer Olympics on August 5, they will see a country in economic and political crisis, and an interim president, Michel Temer (PMDB),

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who cannot lead his country out of it. The former vice-president assumed office in May, initially on an acting basis, after the country's first female president Dilma Rousseff of the Workers' Party (Partido dos Trabalhadores, PT) was temporarily relieved of office. The substance of the case was based on inconsistencies in the presentation of the federal budget (under Rousseff, it was claimed, payments to state banks were systematically delayed and amounted to bank loans to the government, which are prohibited under the Brazilian Constitution). But more importantly, the President had lost the backing of parliament and the population as a result of poor crisis management, inadequate explanation of her policies, and a failure to tackle reforms. Brazil has no provision for a no-confidence vote. Instead, the procedure for suspension from office was used contrary to its constitutional purpose. The Senate vote on Rousseff's final removal from office is expected at the end of August. According to a survey by the newspaper *Estadão*, half of the members of the Senate state that they will vote for removal from office, almost a quarter will vote against, and a good quarter is undecided or unwilling to say. A two-thirds majority would be needed.

Temer represents the establishment

Before Michel Temer, now aged 75, became vice-president under Rousseff in 2011, he had been a member of the Chamber of Deputies for 20 years and its President for two periods, and worked as an attorney and public prosecutor of the state of São Paulo. Since 1981 he has been a member of the Brazilian Democratic Movement Party (Partido do Movimento Democrático Brasileiro, PMDB). Its predecessor party was founded in 1966 as the sole authorised opposition party under the military dictatorship, and hence the melting pot for all flavours of opposition. When the military dictatorship was over, the PMDB was able to establish itself as a pragmatic party without a programmatic foundation. Currently it is the Brazilian party with the highest membership.

Since the PMDB candidate spectacularly failed to win the presidential elections in

1994, the party has not put forward any candidate of its own. Instead, the party relies on the "kingmaker strategy": thanks to its strong presence in parliament, its support is more or less indispensable for any government. So the PMDB, led by Temer from 2001 until April of this year, has been part of almost all government coalitions. Thanks to Temer's efforts it joined the government coalition of Luiz Inácio "Lula" da Silva (PT) in his second term of office – which ultimately laid the foundation stone for Temer's vice-presidency under Lula's successor and protégée, Rousseff. This is now the third time that Michel Temer has stepped up as national President from the ranks of the PMDB, having previously assumed the office due to the death, resignation, and this time (so far temporary) suspension from office of the incumbent President.



Interim-President Michel Temer (PMDB)

Picture: Marcelo Camargo/Agência Brasil

With more than three decades of political experience, acting-President Temer is a representative of the political establishment. He knows the ropes of Brazilian politics, in which extremely fragmented parliament majorities require constant renegotiation, better than Rousseff; but he does not stand for political renewal. Yet this is precisely what the majority of people yearn for because national policy is still influenced by the protagonists of the 1985 re-democratisation era, and corruption scandals are undermining any confidence in politics.

The interim government has no stamina

The Cabinet appointed by the interim president caused consternation both in Brazil and internationally, for not a single woman

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was included. Instead, Temer presented his youthful, ethnically and culturally diverse country with a cabinet of old, white men. This showed that the interim president's foremost concern is not to win the population's backing but that of the Senate, which might elevate him from acting president to definitive president. Subsequently three ministers resigned within a month: the Minister of Tourism, Henrique Alves, was accused of corruption; the Planning Minister, Romero Jucá, and – of all people – the former Minister of Transparency, Fabiano Silveira, had allegedly tried to impede the investigation of the "Lava Jato" corruption scandal, it emerged from leaked audio recordings. Other ministers are also under suspicion of corruption. Temer's stance on the corruption scandal inquiry is controversial, and some fear that the inquiry will be stifled. Municipal elections this autumn are another factor favouring political stasis. Added to that, Brazil's Superior Electoral Court is examining irregularities in the election from which Rousseff and Temer emerged so victoriously. It may declare the election invalid and call for new elections. Amid all these uncertainties, Temer's government lacks the stamina to institute change.

Signs of economic recovery

Development of the Brazilian economy has been more positive, and according to the International Monetary Fund the country has already passed the low-point of the economic crisis: in 2016 the Brazilian economy will contract less drastically than the year before, and in 2017 slight growth is actually anticipated. The Brazilian stock market index Bovespa has risen more than 30% in the current year (the Dax lost a full 2% in the same period), which can be ascribed on the one hand to the extremely poor baseline conditions, while on the other hand Brazil's *real* and its stock exchanges have barely registered external shocks like Great Britain's Brexit referendum. Economic policy has been a constant emphasis of Temer's interim government: in appointing Henrique Meirelles he chose a finance minister who used to be head of Brazil's central bank in the economic boom years and enjoys the

confidence of the international markets. Temer's government is addressing the country's strong domestic orientation – in only five countries worldwide does foreign trade make up a small proportion of economic output – with programmes to reduce high import duties, and with investment and trade agreements. In a similar vein, privatisations and more stringent budget discipline (though the latter is not much in evidence so far) are aimed at strengthening investor confidence.

But more fundamental reforms are called for: now that the commodity boom is over, Brazil must strengthen its industry and improve business location factors– issues such as reducing bureaucracy and combating corruption – to avoid becoming a mere supplier of raw materials for China. In the absence of a welfare state, unemployment and inflation expose the population to the impacts of the massive economic crisis on a daily basis; so Temer needs visible successes, and he needs them soon.

Conclusion: the Olympics come and go, Brazil's problems remain unsolved

Since the massive economic crisis began in 2014 and ushered in the political crisis, Brazil has been at a political standstill. Although there is currently a glimmer of hope on the economic horizon, it could very easily be dashed by the political incalculables. So even after the Olympics, Brazil's problems will remain unsolved – and may even worsen when it comes to aspects like public security, for instance. So far the interim president Michel Temer is in no position to end the state of political "perpetuum immobile". Even if he should become president in the event that Rousseff is conclusively relieved of office, he probably lacks the stamina to see through the courageous structural reforms that Brazil so urgently needs. Major camps in Brazilian politics have discredited themselves for some time to come with new revelations of corruption day after day, and even Temer is no exception: cases are pending against him for corruption and irregularities in the financing of his election campaign. Should he be found guilty of the latter, he may be barred from running for

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election to any political office for eight years. The country finally needs a government that is capable of taking action and willing to tackle reforms – after all, there are enough structural problems. Realistically, though, the political stasis can be expected to linger on until the presidential elections in 2018.

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