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The Dismantling of Brazilian Democracy: International Capital and Rentier Elites

Marcos Costa Lima  and Gustavo de Andrade Rocha 

Abstract: At the beginning of the 21st century Brazil initiated a set of public policies to eradicate extreme poverty and reduce economic and social inequality in the country. At the same time, it embarked upon a foreign policy focused on south-south cooperation and a multilateral approach to extend the government's vision to the international scene. This article aims to analyze Brazil's political-economic path in the beginning of the 21st century and its participation on the international scene as an emergent state and multilateral articulator.

Keywords Brazilian democracy; conservative reforms; coup d'état; international capital; rentier elites

This article aims to analyze the Brazilian political-economic path before the formal legislative coup in Brazil in 2016 and the reaction of local rentier elites and foreign capital in the face of the advance of a political project that had been implemented in Brazil under recent democratic governments. At the beginning of the first decade of the 21st century, Brazil's economy was one of marked inequality, which had undergone an intense process of de-industrialization, internationalization of public and private assets, and a return to a cycle of "reprimarization" of the economy. From an external point of view, it presented the "Normal State" foreign policy (Cervo 2000)—that is, alignment with developed countries, submission to the international financial system (including increasing the country's international indebtedness), and obedience to the Washington Consensus.

In other words, the gains of national development policies based on import substitution of the 20th century were being (or had been to a large extent) reversed. This was justified by the fight against the inflationary process that had settled in the country in the late 1980s. Despite being "controlled" by the Real Plan, it was still a ghost that moved virtually all actions of the federal government (Mollo and Saad-Filho 2006).

The monthly minimum wage was at US\$86 in 2002, with a nominal value of R\$200 (Department of Statistics and Socio-Economic Studies 2017). In addition, with a high unemployment rate, which reached 19% in the metropolitan region of São Paulo in 2002 (Department of Statistics and Socio-Economic Studies 2012), the most industrialized and

Marcos Costa Lima is a professor in the Department of Political Science, Federal University of Pernambuco (UFPE), Recife, Brazil; director of the Institute of Asian Studies of UFPE; member of the board of International Celso Furtado's Center for Political Development; and member of the board of the Brazilian Association for International Relations. Gustavo de Andrade Rocha is an assistant professor in the Department of International Relations, Tabosa de Almeida University Center, Caruaru, Brazil; PhD candidate in the postgraduate program in Political Science of the Federal University of Pernambuco (UFPE); and associated researcher in the Institute of Asian Studies of UFPE.

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technically developed part of the country grew in the ranks of extreme poverty, hunger, and economic inequality.

It is true that the inflationary process resulting from the “developmental”¹ policies of the military government of the “Economic Miracle” years, based on international indebtedness, with variable interest rates, eroded the income of the salaried population in the country. It was also extremely damaging to small businesses. However, the so-called remedy of the Real Plan (economic opening associated with a controlled exchange rate) promoted a flood of foreign products entering the national market without any preparation for the domestic industries (Almeida 1996).

In addition, this “remedy” was associated with an extremely restrictive monetary policy in an attempt to maintain the stability of the national currency. The effect of this restrictive monetary policy was to increase the cost of credit and made the holding of government securities more attractive to the banking sector. Entrepreneurs and investors, on the other hand, are also less likely to invest in the domestic market, for two directly linked reasons. With less credit, the market tends to grow less. And second, financial investments are more attractive, whether to lend money to the government or to speculate on financial investments (Giambiagi et al. 2016).

In this context, a progressive government, elected by popular vote, broke with the neoliberal paradigm installed in Latin America since the country’s redemocratization in 1988. It inherited an unequal country, full of people in extreme poverty, with a large international debt, and structurally returning to the 19th century from the perspective of production (Boito 2002).

In this scenario, the government started a series of projects. It promoted social policies to tackle inequality and strengthen the domestic market. It acted in the foreign policy arena with the objective of promoting greater political and economic autonomy. In this sense, it inaugurated a “south-south” diplomacy, acting multilaterally and lobbying internationally for strengthening the G20 to the detriment of the G8. It participated in the creation of the IBSA Forum² and then BRICS.³ Within the country, the new government tried to create new strategic sectors in the national industry through the participation of the State to serve as a locomotive for a new cycle of industrialization in the country, although this time less dependent on external capital and more focused on generating development in the country (Vigevani and Cepaluni 2007).

The use of Petrobras to recreate the industrial complex in Brazil is illustrative of the point. In addition to stimulating the economy, these actions directly generated employment and income since they promoted the hiring of a large amount of labor. Previously facing a shortage of skilled labor, Brazilian industry employed a generation of new graduates from vocational, technical, and higher education fields (Boito 2012).

This article analyzes topics related to social policies and the strengthening of the domestic market, foreign policy, the construction of the national strategic sectors, and then the reasons why part of the national elite, associated with international capital, reacted against the government that promoted these policies.

SOCIAL POLICIES AND THE STRENGTHENING OF THE DOMESTIC MARKET

As stated in the introduction, in the early years of the 21st century, Brazilian economic indicators were very negative, yet with the 2003 change of government, there was a paradigm shift. The previous government was the most neoliberal that Brazil ever had, while the newly assumed popular government would come to be known as a sort of neodevelopmentalist,⁴ with

policies to reduce poverty and income inequality and for a relevant and active foreign policy. In this first part of the article, the social policies of this government will be addressed, along with the consequent strengthening of the domestic market (Boito 2012).

Even before the election results, the first impact of the possibility of a popular government's victory in the largest country in Latin America was very uncertain. There was a manifest concern on the part of various sectors of the national elite (which occupied a good part of the news media) and of foreign capital (this was felt through the flow of foreign portfolio investment, which oscillated during the 2002 elections) (Boito 2002). Due to this instability in the financial market, in 2001 the IMF placed at the disposal of the country an emergency credit line of US\$15 billion, of which the country drew US\$4.7 billion under the pretext of strengthening international reserves and calming investors (especially foreigners).

The instability caused by the real possibility of victory of a left candidate was softened with a document published at the time, called the "Letter to the Brazilian People." In this document, the then-presidential candidate recognized commitments to democracy and its rules, with the contracts and international agreements signed by the country. In a nod to the market, it also stated that a nationalization process would not be initiated. That is to say, Lula announced that the popular character of his government would be that of gradualist reform, and there would be, at least in principle, a focus on social policies.

So said in the campaign, and so done once in power, the populist government maintained international agreements, did not promote any great rupture in the structures of the republic, nor broke with the democratic order in force. Contrary to what was rumored during the campaign, the economist Henrique Meirelles⁵ was appointed to the post of President of the Central Bank (he is now back in the federal government as Temer government's Minister of Finance). In the first Lula government, he led a monetary policy similar to that of the previous government, without major changes. However, the central bank began a process of increasing accumulation of international reserves, with the aim of increasing the economic (especially monetary) stability of the country (Bello 2017).

From the point of view of economic policies, both the Lula governments, but especially the first, were quite orthodox. They maintained monetary policy with few changes of course: The policy of a floating exchange rate (a position adopted only at the end of the previous government) and a cautious fiscal policy were rolled out with increased public spending yet subject to higher tax revenue.

That which has been attributed to a populist government has occurred in relatively small slices of the public budget. Social programs, such as *Bolsa Família*, had a reduced impact on public accounts, yet in contrast, a relevant result on the living conditions of the poorest population, while creating a virtuous cycle in the economy.

The first direct impact was providing the nation's lowest income earners with the minimum purchasing power to meet the most basic human needs. This was the case of the family grant, a minimum income program to ensure nutrition and basic hygiene. In 2015, the average amount paid by *Bolsa Família* was approximately R\$168, with a total of almost 50 million people directly benefiting from the program and another 13.7 million families indirectly. According to the World Bank, the Brazilian population of 2015 was estimated at 207.8 million people. The total amount invested in the program reached R\$2.3 billion in that year, corresponding to approximately 0.6% of the Brazilian annual GDP (Planalto Palace 2015).

The *Bolsa Família* program has some conditionality criteria for continuity in the program: All school-age children have to be enrolled and attending class in the public educational system and must keep their vaccinations up to date. Thus, in addition to the impact on the income of this population, the *Bolsa Família* has also reduced school dropout rates (in addition to reducing the amount of absenteeism among beneficiaries) and increased the vaccination rate among children from less-favored social classes.

The *Bolsa Família* also presented relevant results in reducing malnutrition and food insecurity. The food expenditures of household beneficiaries rise as their food insecurity increases. Among the most relevant impacts, there has been the reduction in the prevalence of low birth weight, one of the main factors associated with infant mortality. For beneficiary families with lower income, this decrease is higher than for the other groups. The improved health conditions of children has been widely recorded and supported by scientific evidence. In addition to the program's contribution to reducing child malnutrition, the decrease in infant mortality was significant among the beneficiaries of the program—both mortality related to resistance to infectious diseases and malnutrition and diarrhea. Basic health care for the most vulnerable groups was strengthened as a result of conditionalities.

The positive impacts have also been observed in the increase in the percentage of children up to six months fed exclusively by breastfeeding, as well as in the percentage of children completing the vaccination schedule—with higher percentages among *Bolsa* beneficiaries. The program also substantially reduced hospitalization rates among children under 5 years of age.

In education, conditionalities contributed to the reduction of children not in school for both boys and girls in all age groups between 6 and 16 years of age. The positive results in education went beyond this since the students accompanied by the *Bolsa Família* did not only improve their performance or match the national average in terms of dropouts or graduates. Over the past few years, dropout rates in primary and secondary education have been lower among beneficiary students than among other public school students. The graduation rates, which gradually improve for elementary school students, have been more favorable in *Bolsa Família* students than in the national average of public education students. For the first time, the poorest perform better than the others on education indicators (Campello and Côrtes 2013).

The second social policy with an impact on the strengthening of the domestic market was the revalorization of the minimum wage. In nominal terms, the monthly minimum wage was established in 1994 at the level of R\$64.79. Until 2003, its nominal value was R\$240.00. In 2008, it was R\$415.00, and in 2015, it reached R\$788.00. In terms of purchasing power, the minimum wage jumped from 1.38 units of the basic-needs basket of goods in 2003 to 2.22 in 2015. In this last year, about 46.7 million Brazilians had income that was readjusted based on the minimum wage. As a result, in 2014 only 7.4% of the Brazilian population was below the poverty line, compared to 24.9% in 2003 (World Bank 2017).

This minimum wage appreciation policy caused the social rise of a considerable segment of the population. This segment of the population, popularly known as Class C, now has purchasing power and access to goods and services that were previously inaccessible (Department of Statistics and Socio-Economic Studies 2017). They have become able to afford their own houses, popular cars, and appliances, in part thanks to the help of other programs, such as *Minha Casa, Minha Vida*,⁶ *Minha Casa Melhor*,⁷ and the availability of credit in the financial market. The so-called Class C also gained access to some services that were previously off-limits, especially air transport (Boito 2012). These programs created the conditions for

growth based on self-development. The emergence of this new market was responsible for part of the Brazilian macroeconomic success during both the Lula and the Dilma governments.

FOREIGN POLICY AND THE QUEST FOR AUTONOMY

With the end of the Cold War, and the period of hegemony of the United States of America, neoliberalism became the dominant discourse in academia and in the formulation of public policies in the world. In Latin America, neoliberal ideology came under the mantle of the Washington Consensus. It meant adopting the austerity measures proposed by the IMF, the U.S. government, and neoliberal economists as the only solution to the lost decade (Cervo 2000). Faced with this serious and long-term crisis (called the lost decade), which has already been well studied, Latin America adopted the neoliberal discourse. It elected governments, shifted to traditional public policies, and followed the Washington Consensus throughout the 1990s and early 2000s (Boito 2002).

In Brazil, the neoliberal cycle began markedly with the election of Fernando Collor de Melo in 1988. Despite adopting some so-called heterodox economic policies, the basic principles began to be followed: cutting public spending, raising taxes, and opening trade. As in other cases in Latin America, the first neoliberal government in Brazil suffered moral scandals, being deposed in an impeachment process (Cervo 2000).

However, the neoliberal cycle did not end with the impeachment of the first democratically elected president. The vice president, Itamar Franco, took over. After naming some ministers, he appointed Foreign Minister Fernando Henrique Cardoso to the Finance Ministry and, with him in office, deepened neoliberal policies. In this period, there was the implementation of the *Plano Real* (“Real Plan”) and its consequences. In order to control the inflationary process, it unconditionally opened the economy to imports, maintained a high basic interest rate, contracted public expenditures, and raised taxes, all policies to deepen the previously initiated ones (Bielschowsky and Stumpo 1995).

Initially there was also the establishment of a managed exchange rate, which tied the relative value of the currency to the always overvalued U.S. dollar. This greatly favored imports and undermined the country’s exports. This was the main instrument of the Real Plan to curb Brazil’s inflationary process (Bello 2017). The *Plano Real*, under the presidency of Fernando Henrique Cardoso (FHC), adopted the rest of the neoliberal playbook of the Washington Consensus principles: privatizations (including profitable public companies), austerity in public spending, the establishment of a floating exchange rate, and the deregulation of foreign investments in the country (Cervo 2000).

Of the tenets of the Washington Consensus, only tax reform and labor market deregulation were not introduced in Brazil during the FHC government. In the external dimension, the neoliberal wave meant the reestablishment of “normal” diplomatic activity in Brazil and Latin America (Cervo 2000). In other words, the tradition of active and intense nonalignment foreign policy during the developmental period was broken. The foreign policy was now focused on north-south relations, with emphasis on bilateral relations and a so-called pragmatism in the commercial sphere, all in subservience to U.S. foreign policy.

There was also the creation of Mercosur, with the central objective of trade liberalization among its member countries and the goal of becoming a Common Market. The agenda of

the regional group during the neoliberal cycle and especially during the FHC government revolved around the consolidation of the trade bloc itself and in the early moments, acting together as a strategy to more cohesively negotiate the establishment of the Free Trade of the Americas Agreement (FTAA) (Vigevani, Oliveira, and Cintra 2003). Along with the process of opening the economy (without any preparations for the industrial sector), privatizations, and restrictive economic policies, there was also a process of de-industrialization of the Brazilian economy, seen both in a decrease in the size of the sector and an oligopolization of the industrial sector and the economy in general (Giambiagi et al. 2016).

Given this scenario, the foreign policy initiated in the Lula government sought, on the international scene, to build conditions for the resumption of national autonomy. It is important to note that two of the main elements to understand the change of direction in Brazilian foreign policy come from the interpretation of two concepts. The first, present in Article 3 of the current Constitution (Federal Senate of Brazil 1988), deals with the objectives of the Brazilian State, guaranteeing national development. The second concept, in the subsequent Article 4, deals with the principles of International Relations of Brazil; Point I states “National Independence.”

Called “Autonomy by Diversification,” Lula’s first government started a strategy focused on multilateral relations and a perspective to open new relationships, especially in the “south,” in order to increase the country’s autonomy. The logic was not to terminate traditional relations but to build complementary partnerships and to focus these new relations in the underdeveloped world. In political perspective, Brazil started to open dialogue with African countries; maintained the importance of Mercosur; initiated multilateral initiatives, such as the IBSA Forum and the APSA meeting⁸; worked intensively to change the status of the G20; and was the coproposer of the project to reform the UN Security Council.

Toward the end of the second term of Lula’s government, Brazilian foreign policy found an alternative to the Latin American region. It proposed a political bloc, called UNASUR (Union of South American Nations) and with this, a South American in place of a previous Latin American⁹ Strategy. The episode of the creation of UNASUR, and the new concept of South America, was the closest Brazil has managed in consolidating its regional leadership.

Interestingly, during the Lula governments, Brazil was able to consolidate its role as an emerging and relevant power for global affairs. However, it was unable to consolidate its position as a regional leader. This regional leadership problem is one of the old dilemmas of Brazilian foreign policy. Even so, during the Lula governments and the Dilma government, there were advances in the region with the policy of leadership by cooperation developed during Lula’s presidency. Imposing any form of leadership would even be a contradiction of the Brazilian government in this period as Brazil sought to position itself as a leader of the global South at the multilateral level. The strategy of leadership by cooperation was aligned with the positions of Brazil for Africa, G20 and other initiatives, and the position of the BRICS itself.

However, it was strategic for Brazil to consolidate a good relationship with South America, beyond Mercosur, and to develop as many agreements and possible political partnerships as possible, to allow an increase in the country’s trade relations with its neighbors. In fact, Mercosur grew considerably in the Brazilian trade balance, consolidating itself as Brazil’s fourth largest trading partner. Trade relations with other countries in South America have not developed as much but have also increased.

Another strategic relationship, extended during the Lula and Dilma governments, was with China, which became Brazil’s largest trading partner by the end of the first decade of the 21st

century, the main destination of exports, and the main source of imports. Despite the quality of trade (in which Brazil basically exports commodities and imports all kinds of industrial equipment), export growth to China was an important part of Brazil’s economic success.

In the Figure 4, we can see the great participation of agribusiness in trade relations from Latin America to China, where Brazil represents 68% of the total. Trade in goods between Latin America and the Caribbean and China reached its all-time high in 2013, after which it experienced two consecutive years of decline. In 2015, it was US\$247 billion, 11% less than the \$278 billion recorded in 2013. This decrease is explained by the slowing growth in China (CEPAL 2016: 19)

It is noteworthy that China, during the Lula governments and the Dilma government, was seen as a strategic partner. The proximity and the negotiation with the Chinese government might, in the long run, be a way to avoid a damaging relationship with the country (as a kind of new imperialism) and still build on the momentum of Chinese growth to leverage better economic conditions for Brazil’s national economy.

THE CONSTRUCTION OF NATIONAL STRATEGIC SECTORS

Another focus of the government of change elected in the first federal elections of the 21st century was to initiate a process to try to reverse or at least minimize the impacts of the wave of deindustrialization that began during the neoliberal cycle that had impacted Brazil in the past decades. Two public companies were essential: Petrobras and BNDES¹⁰: one, the mixed-capital oil company, then the owner of the monopoly on oil extraction in Brazil, and the other the long-term Brazilian state-owned investment bank.

Using Petrobras and the newly discovered oil reserves in the so-called pre-salt zone along the Brazilian coast, the government initiated a deliberate policy of fostering industrialization

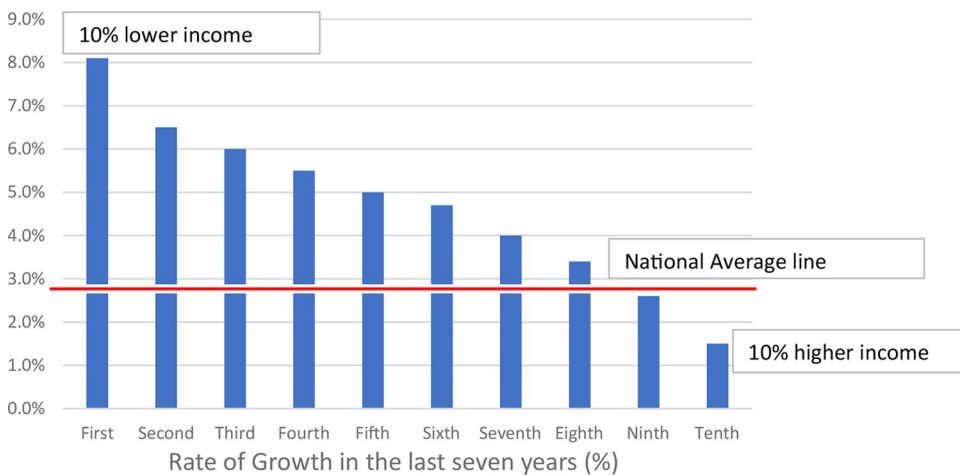


FIGURE 1 Annual Rate of Growth of per Capita Household Income per Decile: Brazil 2001–2008

Source: Estimation based on PNAD (the Portuguese acronym for National Research of Household Sample)—IBGE (2001–2008).

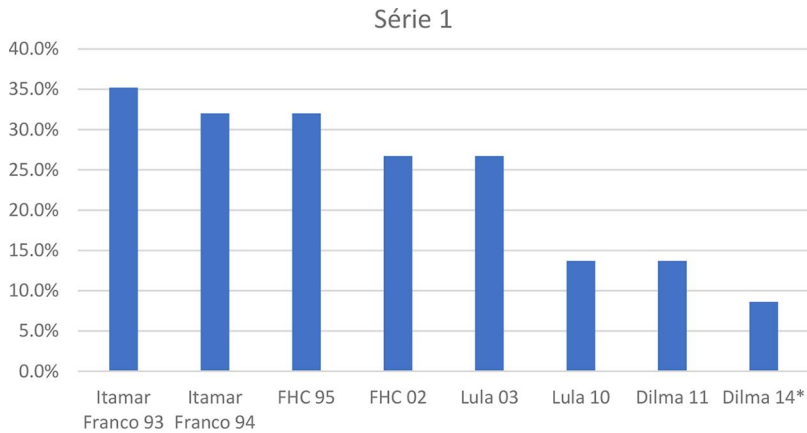


FIGURE 2 Evolution of Extreme Poverty in Brazil, 1990–2008

Source: IPEA (2009): *Sobre a evolução recente da Pobreza e da Desigualdade*.

through investment in strategic sectors linked to Petrobras’s possibilities for action: promoting the emergence of a national maritime industry, state investments in an oil refining complex in the country, and other company policies for the purchase of parts and equipment in the national market (Xavier 2010). According to Figure 1, we can see the growth rate of per capita family income, between 2001 and 2008, was considerably higher among families among the 10% lower incomes. While growth among households among the 10% higher incomes was considerably lower. As can be seen in Figure 2, the rate of extreme poverty fell consistently. Part of this evolution is due to the monetary stabilization that took place in the Itamar Franco government.

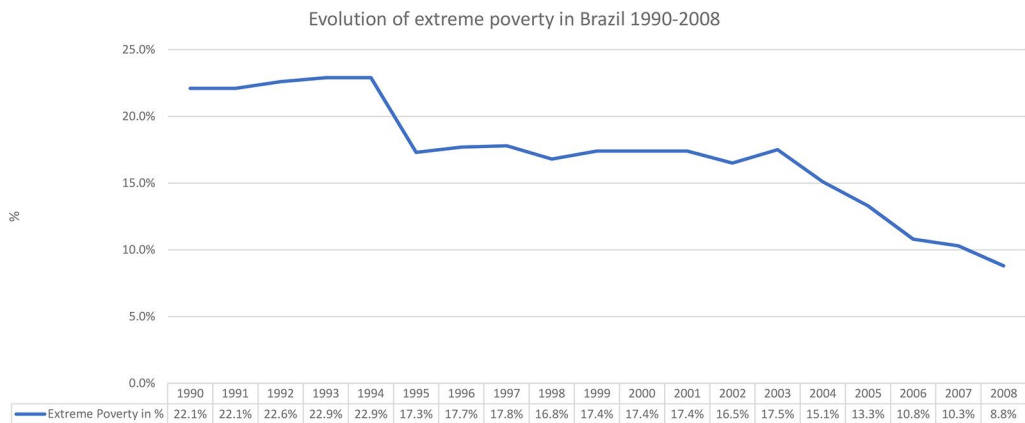


FIGURE 3 Percentage of Extreme Poverty or Misery Under Successive Brazilian Governments from the Itamar Franco Government to the first Presidential term of the Dilma Government

Source: Fundação Getúlio Vargas (FGV), 2013.

Note: Itamar Franco’s government went from 1993 to 1994; Fernando Henrique Cardoso’s government from 1995 to 2002; Lula da Silva’s government from 2003 to 2010; and Dilma Rousseff’s government from 2011 to 2014 (just first presidential term).

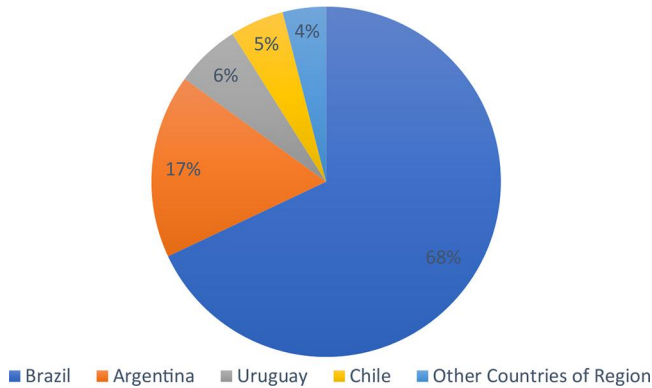


FIGURE 4 China: Composition of Agricultural Imports from Latin America and the Caribbean by Origin, 2015 (%)
 Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

But the biggest fall, occurs between the beginning and the end of the Lula government (2003–2010).

There was some difficulty, especially at the beginning of these policies, since the industrial complex in the country had been largely dismantled. The shipbuilding industry had disappeared. Metalworking had been reduced to a residue of what it was during the developmental period. As seen in Figure 3, reinforcing the previously presented in Figure 2, the evolution of extreme poverty in Brazil, now in an enlarged perspective, has a significant reduction at the beginning of the Real Plan, with monetary stabilization, but a more significant and continuous decline, along the Lula government (2003–2010) and the first Dilma government (2011–2014). The refining of Brazilian oil was practically all done abroad, which created a paradox; as the country was close

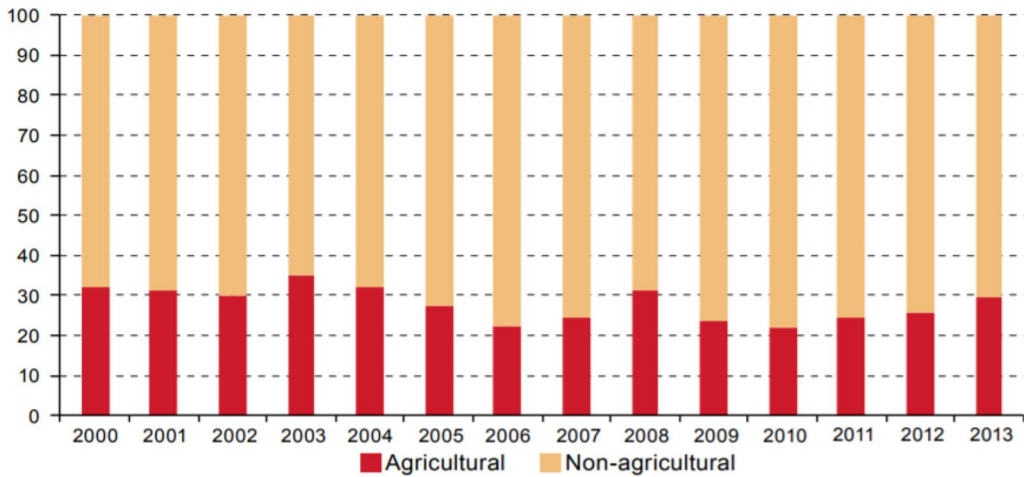


FIGURE 5 Latin America and the Caribbean: Composition of Exports to China, 2000–2013 (in Percentage Terms)
 Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

to being self-sufficient in petroleum, it exported crude product and imported virtually all its derivatives (Oliveira 2012).

The Brazilian educational system itself did not create the specialized labor demanded by these sectors of the economy. It took an effort to create universities, develop specific courses in existing universities, and significantly expand other public institutions, like Rio Grande do Norte Federal University (UFRN),¹¹ to meet the demand for professionals in this new sector. It was not by accident that specialized labor was necessary (including the repatriation of the so-called Brazilian *decasséguis* (*dekasegi*) specialized in some of the necessary areas, especially maritime welding). Figure 5 shows the composition of Latin American exports between “Agriculturals” and “Non-agricultural” for China. It can be observed that Latin America's exports to China are mostly of agrarian origin.

BNDES's performance was complementary to that of Petrobras, by granting credits to companies created to meet the incentives of the oil company, by financing the company's own investments, and by providing credit to the private sector, especially for industrial sectors but also to develop other activities (Almeida, Lima-de-Oliveira, and Scheneider 2014). The BNDES's main function in Lula's governments was to provide long-term investments for industrial companies and to support projects promoting exports, especially in the industrial sector. While specialized in credit for large companies in the industrial sector, in this period it also sought to increase credit for small and medium-sized businesses while still focused on the industrial sector. All these strategies were undertaken to promote industrial growth, as deindustrialization was already a key political point (Almeida and Scheneider 2012).

According to Silva (2017), in the early 1970s, the participation of Brazilian industry in employment and production in value added was 27.4% of GDP, falling to 10.9% in 2014. The weakness in Brazilian industry can be shown in its exports. The leading four items—food (38%), agricultural raw materials (5%), minerals and metals (12%), and fuels (7%)—represent a strong concentration of 62% of total exports in low value-added products, while manufactured products constitute only 38% of the total exported. In 2000, the share of manufactures in total exports was 59%. So the participation of BNDES is quite necessary for the national industry, particularly as Brazilian private banks are reluctant to offer long-term credit for new investments, as investments in short-term public debt securities entail less risk than investments in the real economy and a great reward (Almeida, Lima-de-Oliveira, and Scheneider 2014).

Opposition groups often claimed during this period that it was not advantageous for Petrobras to invest in these sectors of industry because they would raise the operating costs of the state-owned company. They argued that buying these products from the international market would be more efficient (a discourse linked to Ricardian trade logic). On the other hand, they had difficulty in refuting the policies conducted by Petrobras based on its popular appeal.

The criticism made, particularly by the most important industrial representatives, was that the federal government lacked a development project for the country. This is something that the critics themselves said was not viable for this period, since the policies already faced difficulties due to the resistance of the political groups and the economic elites of the country (Federação das Indústrias do Estado de São Paulo [FIESP] 2011).

What draws attention is that, with the exception of oil exploration in the pre-salt layers along the Brazilian coast, other sectors that Petrobras aimed to foster or develop somehow required a relatively low level of technology. However, given the country's state of domestic industrial development, it would be a very large industrial leap, as the rest of the country's industrial

complex belongs largely to foreign capital, or when it belongs to the national private sector, it is directed to the production of low value-added consumer goods to be consumed internally or to provide for the supply chains of foreign capital industries in the country or inside Mercosur.

The period between 2005 and 2014, in particular, shows the success of policies to consolidate the country's growth, specifically in 2008 with the reinforcement of countercyclical measures, mitigating the impacts of the greatest crisis since the Great Depression.

International capital is not concerned with national autonomy, especially on the issue of oil. The justification that Petrobras would not have the resources to exploit the pre-salt oil could never hold up, particularly as China was willing to make a \$10 billion loan in exchange for Brazilian oil.

According to Forbes (2016), Petrobras is the 13th-largest oil company in the world. This is after an enormous period of appreciation. In addition, from 2016 to 2017, Petrobras increased its market value by 106.7%, valued at 209.4 billion reais after the announcement of a profit of 4.45 billion reais in the first quarter of 2017 (Folha de São Paulo, 2017).

On the other hand, several companies show interest in exploring pre-salt oil, with 10 companies expressing interest in the National Petroleum Agency to participate in the first pre-salt auction. Among them are the two Chinese giants and companies from Colombia, India, and Malaysia, among others, in spite of the high cost of exploration and the scarcity of specific technology, now dominated by Petrobras itself.

INTERNATIONAL CAPITAL AND LOCAL ELITES: CONVERGING DISSATISFACTIONS

The exposition of the previous advances gives an idea of why national elites linked to international capital and beneficiaries of "rentism" associated with foreign capital and why international capital itself became dissatisfied with the model of public policy that had been adopted in the country. By comparing the directions of social policies, public investment, and the country's foreign policy, between previous governments and the reforms conducted by Lula's governments, the motivation for President Dilma Rousseff's impeachment, and what it was seeking, become clear.

National elites, though benefited by the economic growth achieved during the years of the Lula government and the first Dilma government, only tolerated social and human advances in the country, opposing any more progressive economic project that was proposed. This tolerance occurred while there was a combination of high basic interest rates (which serves both the interests of banks and the elites that obtain a large part of their income from financial investments, in this case in particular, on Brazilian government bonds) and economic growth (which serves the part of the elite linked to some productive activity, even if within the production chain of a foreign company).

In addition, there is a high rate of exports based on commodities, some produced in large landed properties (and also minerals, such as iron ore, produced by Vale), with high employment of machinery (of foreign manufacture, of course) by "agribusiness"¹² companies. These are directly benefited by Chinese growth and by Brazil's exchange rate regime.

However, this combination of high interest rates, maintained through pressure by financial markets and a justification for avoiding inflation, discourages the real economy. In a situation where there are less than favorable conditions for economic growth, it is to be expected that the tolerance of these elites decreases. Brazil maintained growth in GDP, despite considerable variations, until 2013, when it registered a rate of 3%. However, in 2014, the rate was 0.5% and -3.8% in 2015.

One of the consequences of *Bolsa Família* less tolerated by local elites is the autonomy acquired by beneficiaries in relation to their food and survival. The power structures upheld by hunger and drought that so benefited regional oligarchies was directly hit. With the amount paid by this program, the population starts to buy their food in the local shops, instead of asking for donations or waiting for the good will of the oligarchs.

This program also had an effect on the behavior of the beneficiaries in their role as workers. The population that was previously forced to accept completely degrading work, mainly in the countryside, today chooses not to be subject to certain working conditions.

The minimum wage and the level of rural pensions play a fundamental role in the dynamics of the countryside. After years of farming, a small farmer retires, receiving a minimum wage, and this small income serves to sustain or supplement income for a family of small farmers.

This population of small-scale farmers previously depended on the good will of the large landowners and the political elites of the region, especially during periods of drought, when it was impossible to grow crops in one place, and access to water was controlled by the large landholders, who determined both access to water and work. To receive help from assistance programs of the government, relationships with the elites again become crucial. These conditions also exist in urban labor relations (except the rural pensions). Brazil was one of the few countries that, at the beginning of the 21st century, reduced economic inequality, while other Latin American countries such as Mexico, Argentina, and Colombia showed little variation.

Bothered by the social rise promoted by popular governments, and encouraged by the slowing pace of GDP growth, the elites used the media as a way to broaden their power over national politics. The right, now with a new strategy, began to direct its strategies in the election of right-wing deputies with a new profile. Religious leaders and media personalities, usually in smaller parties, are now the average profile of most right-wing politicians. This new strategy pulverized the parliamentary election, at both the federal and state levels, and it acted on the traditional electoral population of the left. Associated with this, an old elite strategy, the direct use of the media as a way of undermining the population's support for the government, managed to lower the population's guard in the protection of democracy.

From the point of view of international relations, Brazil's rapprochement with China, and the BRICS project itself, are seen as a threat to the international power of the United States. In a context in which China emerges as a possible world superpower and is already the world's second largest economy, the center of traditional power finds itself in need to undermine initiatives that empower China and its allies.

The legislative coup in Brazil, more than a mere economic issue, is a matter of international power. And Brazil was the country chosen to weaken the BRICS project since it already had an elite dissatisfied with the country's political course, in addition to being a fragile and young democracy, with institutions easy to co-opt. For that reason, scandals regarding Petrobras were used, some with few fundamentals, to create an unfavorable environment for the company and to disturb the Brazilian political scene, thus favoring the movement for the impeachment of President Dilma Rousseff.

CONCLUSIONS

We don't have enough space to detail all important projects of the PT governments, such as the inauguration of 14 universities, 25 university campuses, and 30 federal institutes of technology. As analyzed in a recent article (Costa Lima and Silva 2016), there were many impulses for the coup d'état in Brazil, which mainly involved the congress, the judiciary, and the media.

Two policies in particular that mobilized the market and media against the Dilma administration were the economic policy aimed at decreasing interest rates and the issue of media democratization:

The financial and banking systems are the main instruments of wealth concentration in Brazil. By reducing public bank interest rates and forcing the reduction of private banks' interest rates, the president transferred wealth to society and the state from private banks, their shareholders and public bondholders. The president reached the heart of the concentration mechanism of the economic system and angered the conservative sectors that today are asking for the privatization of public banks. (Guimarães 2015: 22–23)

Two major components of the economic and political crises emerged after the outcome of the 2014 presidential elections. The first was a lowering of commodity prices due to the global economic slowdown, which led to criticisms of the Dilma government's economic policy from the banking and financial sectors and their supportive media. The second was an artificially produced component disseminated to the public through the media that promoted a deliberate antigovernment campaign by propagating a general pessimistic atmosphere. Although the economic effects of the economic slowdown were felt, one must not minimize the media oligopoly's ability to associate corruption and economic problems exclusively to the alleged moral depravity and mismanagement of the Workers' Party.

Even at the end of her first term in office and facing a difficult campaign and strong media opposition, Dilma Rousseff drew support from the legacy of 12 years of the Workers' Party government. The benefits of social progress led her to victory, though with a narrow margin. On the economic front, in Dilma's second term, there was a demand for fiscal austerity policies, which led to her Minister of Finance Mantega's ouster and the rise of the liberal-leaning Joaquim Levy, who put cutting public spending back on the agenda of economic policy.

Another issue that weakened the federal government was the previously mentioned entrance of the new Deputies in Congress, now including not only traditional actors (agribusiness interests) of the Brazilian right but also politicians linked to evangelical movements, which benefit the agenda of the right wing. Understanding this conservative movement is a complex task. First, it must be stressed that conservative notions reach the population in a convoluted way. The media manipulate complex information, reducing it to specific events as carried out exclusively by the government, and/or alternatively they identify systemic corruption and scandals as peculiar to a particular party or to specific political actors. In addition, this simplification passes through "slogans" that were repeated constantly until they were internalized by the population.

The street protests started with what came to be known as the "June Days" in 2013. While the initial issue was public transport fares, the demonstrations soon extended to cover more general topics such as improvements in education and health, combating corruption, and so on. There was positive reporting of the protests by the media, as they did not represent big risks to the existing order and were nonpartisan statements. The media stressed that the protests were

“peaceful, democratic, and patriotic” and condemned more radical actors like the black blocs. Black blocs are a kind of protester, who use a strategy to protect the identity and physical integrity of a group when there is the threat of physical aggression by the police. They are also considered, especially by the police, as a kind of more radical protester. The initial manifestation had an amorphous appearance, with a relatively diverse mix of actors and no identifiable agenda, flag, or leadership.

This lack of consistency means that votes were not always cast in accordance with political or ideological alignments. In other words, decisions may be made based on convenience or for the side that offers more short-term benefits. This is what led to the abandonment of the government by several allied parties when the political crisis worsened and culminated in the approval of the impeachment process in the Chamber of Deputies. Those parties had adhered to the Workers’ Party project for the convenience of power and not because they agreed with its principles. With the loss of popularity due to economic imbalances—low growth rates since 2011, increasing inflation, and rising interest rates—the Dilma Rousseff government became the target of protests. The economic downturn, mainly due to the fall in commodity prices and the exhaustion of the growth model based on domestic consumption, was attributed almost exclusively to the mismanagement of the economy, which further damaged the president’s image.

In the context of this crisis, Brazil’s right-wing movement rose, and the street protests that gathered were now composed mainly of middle-class reactionaries and conservatives, with a portion of those belonging to the old dictatorial period. The gap between the executive that emerged victorious from the last elections and the conservative opposition legislators seen as representative of the demands from the streets led to the impeachment process. As in a vicious circle, Brazil remains caught in a trap set up by conservative forces. The same actors have persisted throughout Brazilian history—the landowning oligarchy opposed to land reform; industrial entrepreneurs averse to labor rights, the payment of taxes, and solidarity for national development; an elitist middle class that is conservative and against any increase in welfare to the lower classes; and a new constituency of Pentecostals who are religiously intolerant and demand a reactionary agenda inspired by U.S. conservative politics. In this context, the incipient Brazilian democracy—whose institutions were moving toward greater solidity and stability—has been challenged again, this time not by the army or by a popular uprising but by a facade of legal process, falsely representing popular aspirations. As President Dilma Rousseff has not committed any crime, her ouster is a coup d’état carried out by Congress, the judiciary, and the media—thereby tearing up the constitution.

From May 2016 until now, the country has been turned upside down. Very drastic unpopular measures were taken, such as the new law that regulates social security, greatly increasing the retirement age, and a new law that completely de-characterizes the CLT (Consolidation of Labor Laws), which since the time of Getúlio Vargas has regulated labor issues in Brazil. At the same time, they have sold important parts of Petrobras to international groups, while other privatization measures are underway. Throughout this process, new allegations of corruption have surfaced, mostly involving relevant names of the current administration, including full supporting statements that attest to current President Temer’s involvement with high corruption. The political crisis is such that it is difficult today to assess whether the group in power will be able to maintain itself, even controlling the wide majority in the Congress; uncertainties grow, and we do not know if there will be direct elections for president in 2018. The persecution of former President Lula has

been relentless, even while there is no evidence to date that pins him to irregular proceedings, despite the fact that he has been thoroughly investigated since the coup.

The people are in the streets crying out for “Direct Vote Now” (in Portuguese, *Diretas Já*) for the presidency. And if an election were to happen today, polls show that Lula would be unbeatable. One certainty is that in the next 16 months Brazil will experience political chaos. We hope that the people will be wise enough to lead the country to a democratic, safe harbor that will resume the processes of social inclusion.

NOTES

1. Despite having some similar characteristics to the developmentalism of the pre-coup period, there was a clear concentrative and conservative character in this model called “national developmentalism.” The developmentalism is a translation from *desenvolvimentismo*, which is a concept that refers to the Latin American state-driven model to promote industrialization and economic development.

2. India, Brazil, and South Africa.

3. Brazil, Russia, India, China, and South Africa.

4. In a context of democracy and therefore different from the most cases of state-driven development models from Asia and Latin America of the past.

5. He was a senior official in the U.S. financial sector before becoming president of the Central Bank of Brazil. Today he is Finance Minister of the Temer Government, responsible for proposing and defending the current reforms of the public budget, public pension, and labor legislation and the recent amendment to the constitution that freezes government spending for 30 years.

6. Program for facilitated financing of low-value real estate, with subsidies from the federal government for lower-income populations and operated by Caixa, a Brazilian public bank.

7. Complementary program to Minha Casa, Minha Vida, (My House, My Life) to facilitate, through credit, access to the basic goods to equip a house, such as refrigerator, stove, etc.

8. Meeting among South American and Arab Countries.

9. Latin America lost importance and interest with Mexico’s entry into NAFTA.

10. BNDES is an acronym for National Bank of Economic and Social Development, a state-driven long-term investment bank, created in 1952 by the second Vargas government.

11. In this case, the UFRN received investments directly from Petrobras and grew in various areas to attend the oil company needs.

12. In Brazil, *Agronegócio* refers to the rural sector dedicated to monoculture in large landed properties, capital intensive and with production mainly for the foreign market.

ORCID

Marcos Costa Lima  <http://orcid.org/0000-0002-3831-7631>

Gustavo de Andrade Rocha  <http://orcid.org/0000-0003-2438-5251>

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