

Final Chapter

RYOHEI KONTA

This final chapter provides the perspective that Brazil has more recently moved from the era of the New Brazil to “Post-New Brazil,” based on the analyses and considerations from previous chapters. As the conclusion of this study, some issues which Brazil is currently facing under the second Rousseff administration become apparent such as political corruption, low productivity, and governability.

1. The New and Post-New Brazil

Recent developments in Brazil have been characterized by the construction and development of important institutions as well as by policies in the different areas of politics, economy, business, society, and foreign diplomacy that have been covered in this study. Progress in institutional reforms, power sharing and participation of the people in politics, economic stabilization and growth as a result of the twin engine, the changing industrial policies and responses of companies in business, the attempt to develop a safety net for all the people in society, and the increased voice in international diplomacy have been described. These points can be considered as the “newness” of recent Brazil, and the continuous efforts to reinforce them changed Brazil into a new nation, creating the view of the “New Brazil” in previous studies.

With the changing environment and circumstances; however, some challenges and problems have cropped up more recently. In short, Brazil’s government was unable to catch up with the changes in the real world both domestically and internationally in Rousseff’s first term. The nation seemed divided into two parts as a result of the 2014 presidential election that was won by a very tight margin, and corruption that is deeply rooted in Brazil with the worsening scandal at Petrobras, the largest state enterprise in Brazil.

Regarding the economy, continuous efforts are required to address problems such as the potential threat of inflation, delays in building infrastructure and the lower level of productivity and innovation. The recent sluggish economic situation may imply that the economic growth model of the twin-engine may have reached its limit, and the country needs to recover its credibility damaged by the deteriorating fiscal conditions.

In business, the vulnerability of Brazil's industries in international competitiveness and the persistent "Brazil Cost" can be mentioned. Now may be the time for the government to shift from counter-cyclical measures to an industrial policy that aims to increase productivity and achieve structural transformation in the medium and long term.

As for society, recent developments in social security were only the minimum required and many problems remain, principally of quality, which have made it impossible to further reduce the still-high inequality. This was one of the causes of the nationwide protests in 2013, and it remains necessary to address the people's frustrations.

Regarding foreign diplomacy, the decreasing presence of Brazil internationally is apparent from President Rousseff's passive approach. Although she tried to attain the same goals as the Lula administration, the foreign policies of her 1st administration can be characterized by the word "inconsistency."

The fiscal situation is especially worthy of note and has worsened recently, due to such phenomena as the increasing uncertainty in the global economy, slowing Chinese economic growth, and the problem of the economic structure of Brazil, which very much depends on commodity exports whose international prices are declining. The credibility of Brazil in the financial market has been undermined not only by these changes but also by some financial manipulation by the government. This destabilizing factor on the fiscal front, when Brazil is the host country of international events where the national honor is at stake, such as the World Cup in 2014 and the upcoming Olympic Games in 2016, reminds us a little bit of the past. It was almost a half century ago when some challenges, which are similar in the sense of national prestige, such as the construction of the new capital Brasília, provoked a debt crisis and a military coup, and Brazil became an authoritarian country.

Brazil may not repeat such history, because the recent changes are based on its own experiences including a more solid democracy. Brazil also has the advantage of having many resources that have recently become more diverse, even though the change in the economic cycle has inevitably had more influence because of Brazil's new links with the globalized world economy. It can be said; however, that the New Brazil has already disappeared if the people's complaints that exploded during the recent protests, the economic stagnation, the worsening fiscal situation, and the other issues that have been pointed out in each chapter are taken into account. Brazil, with the re-election of President Rousseff in 2014 and the beginning of her second term in 2015, may already

have moved into an era of the “Post-New Brazil”.

2. Some Considerations for the Post-New Brazil

President Rousseff, charged with the mission of leading the Post-New Brazil, tends to distance herself from the organizations and persons connected to the New Brazil, as was referred to in the introduction. The reason might lie in the progress of the investigation into the alleged corruption at Petrobras, which is not only the largest governmental company in Brazil but also the bedrock of the Brazilian economy, because its related business areas and companies range so widely, from energy to infrastructure, finance and other sectors. This corruption is not exclusively domestic. It also extends abroad, to the United States for example, so it differs from past cases like the *Mensalão*, which was a huge bribery case over elections to Congress during the Lula administration.

In addition to the Petrobras issue, a severe energy and water crisis caused by a long-term drought and exacerbated in 2014, began to adversely affect not only people's daily lives at the beginning of 2015, but also the economy over a longer period. One point worthy of mention is that Brazil relived almost the same experience it had in 2001, when the “*Apagão*” (large-scale blackout) occurred because of little rain. Another point is that this crisis happened during the administration of President Rousseff, who was the Minister of Energy and Mines in the Lula administration.

The new Minister of Finance, Joaquim Levy, is becoming an influential person in the second Rousseff administration to attempt to mitigate and resolve fiscal issues facing Brazil. Levy has experience working in former administrations, in international financial institutions such as the IMF, and also in leading private banks. Therefore, he has the connections and expertise to explain and convince the austerity programs of the government better than President Rousseff. Yet still, the austerity programs explained mainly by Minister of Finance Levy has faced difficulty in receiving approval from Congress blocked by political conflicts between the administration and opposition parties as well as conflicts within the ruling parties. Politicians who are not favorable to President Rousseff and the PT occupy the chairs of the Senate/Chamber of Deputies, very powerful positions in Congress. Even though they belong to the PMDB (one of the ruling parties with the PT), they are not willing to approve bills proposed by the Rousseff administration. This situation may have been caused partly by the distance created by President Rousseff as mentioned in previous chapters.

For these reasons, there is concern that these issues will determine the fate of the Rousseff administration, whose approval rate fell from 65% in March 2013 to 8% in August 2015 in the poll results [Datafolha]. A nationwide protest demonstration against President Rousseff was organized on March 15 in 2015 and more than 1.5 million people participated, and again on April 12 although with less participants, protesting for the impeachment of the president, against corruption, and against the austerity programs. If President Rousseff continues to govern the country without talking to those around her, she might become “The Queen's New Clothes.” And if Brazil does not become keenly aware of its “hubris,” a risk mentioned by *The Economist* [Nov. 12th 2009], the positive evaluations that Brazil has been recently receiving would dwindle in the Post-New Brazil era. We can see these possibilities, in the titles of special editions on Brazil by *The Economist*, which are *Brazil takes off* in November 2009, *Has Brazil blown it?* in September 2013, and *In a Quagmire* in February 2015.

President Rousseff launched the slogan “Brazil, Homeland Educator (*Brasil, Pátria Educadora*)” for her second administration. In Brazil, each administration has set a slogan, starting with the second administration of President Cardoso. The slogans set by the former administrations were “Working throughout Brazil (*Trabalhando em todo o Brasil*)” by the Cardoso administration, “A Country of Everyone (*Um país de todos*)” by the Lula administration, and “Rich Country is Country without Poverty (*País rico é país sem pobreza*)” by the first Rousseff administration [Horisaka 2012, 17-19]. With these slogans, Brazil has been developing institutions in various areas and was transformed into so-called the “New Brazil” at the beginning of the 21st century.

However, the current Post-New Brazil is facing issues that are discussed in this study. Some of them are human resource issues in how the recently developed institutions are utilized, such as the capacity of governance and the productivity of the nation, as pointed out by the Institute for Applied Economic Research (IPEA), a Brazilian research institute to support government actions [Gomide & Pires]. What differentiates the slogan of the second Rousseff administration is the prioritization of the education sector, which reminds us of the improvements to the educational level. However, one of the key issues for the Post-New Brazil seems the extent to which *Pátria Educadora* will also be able to enlighten the Brazilian people with ethical commitment and national pride, as President Rousseff explained the slogan during her inauguration of her second administration [Federal Government of Brazil].

Some important issues that the Post-New Brazil will need to resolve are related to the Brazilian people themselves, such as deep-rooted corruption, low labor

productivity in the economy, and governability of the nation. In other words, it is the human resources that steer Brazil that is now in question.

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