

Brazil: Fear For The Future?

3rd January 2019

Since the last column on Brazil, much has changed. The most traditionally left-leaning continent on the planet has seen the election in its largest country of the most right-wing leader it has ever had. While Brazil faces an uncertain immediate future – to say nothing of how its place and policies might dramatically shift in the years to come – is this part of the ‘new normal’ in South American politics and is a backlash due to follow?



Jair Bolsonaro is now Brazilian president: a man who has described the left-wing as ‘extremism’, who has indicated his rosy memories of the past military dictatorship, who has made the kind of homophobic and racist comments that one would imagine should automatically disqualify him from public office. Yet here we are, with 51% of the vote and little assertion that this vote was fixed.

The stock market reacted positively as the news broke, rising (along with the *real*) 13% once Bolsonaro’s victory was confirmed, in stark contrast to markets not just in South America but worldwide. It is hoped that this is the start of a bounce: taking advantage of the hope that Bolsonaro will be able to pull Brazil out of the worst recession it has ever experienced. But more than this – to reverse the structural problems and decline of the country that has proceeded apace for the past twenty years.

This has been driven by a number of factors – the inherent struggle of Brazil to plant itself as a key Developing Nation while still being riven by widespread extreme poverty, the corruption that pervades the system and which is almost symbiotic with it, the massive distrust of the Brazilian political left symbolized by former presidents Rousseff and Lula. A sea-change was obviously required, but to have the sharp 180 degree turn that is a President who has said that immigrants are “scum”, that innocent deaths in civil war are “fine” and that “I am in favour of torture” is to set the country on an entirely different axis. In the short term, business sentiment is likely to remain high as it always will in a situation where ‘business as normal’ seems to be the order of the day. Bolsonaro will certainly want to keep the money flowing in.

But as his Presidency unfolds, issues might develop in two particular ways. First, depending on the policies enacted, there might be a backlash against business in, or with, Brazil, if Bolsonaro is seen as someone under whom industry can only stagnate, suffer greater illegalities, or should the political climate be uncondusive to free, fair and open business. This could result in a decline in opportunities and interest in the Brazilian market, as Brazil could join Russia and Iran on the list of untenable business partners – although not with the strict sanctions replicated elsewhere.

Second is that the Brazilian business climate will be even more conducive to corruption, preference and nepotism, as the cronies of the ‘new man’ take advantage of newfound prestige and power. What we would expect to see here is taking financial advantage of the regime change, to lay the foundations for corrupt business deals (which may involve foreign firms being co-opted to damaging deals), or to hide increasing assets or finance in a more amenable climate.

The other issue is whether this is emblematic of a wider shift in politics. After all, the election of a disruptive, outrageous candidate in the Americas is hardly new. And perhaps Brazilians looked across the border to Venezuela, saw an unquestionably failing state suffering to an even greater degree, and thought that change – any change – could stop them from going down the same path.

As for Brazil itself, the legacy of the Car Wash scandal still hangs heavy over the country’s political and financial arenas and the image, so heavily tarnished by the events of recent years, will hardly have been helped by the election of the *‘Trump of the Tropics’*...

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