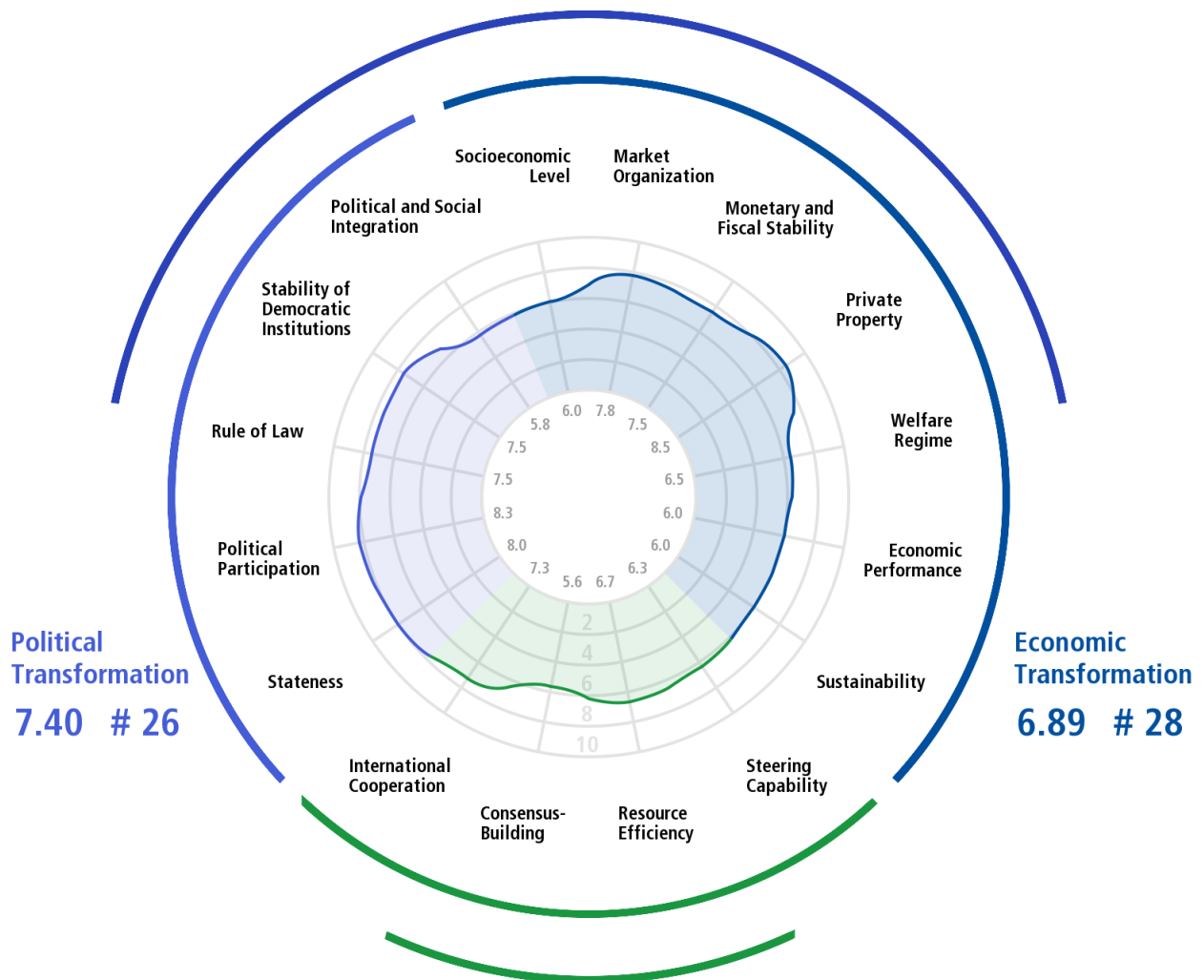


Brazil

Status Index

7.15 # 23

on 1-10 scale out of 137



Governance Index

5.58 # 43

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	209.5	HDI	0.761	GDP p.c., PPP \$	16068
Pop. growth ¹	% p.a.	0.8	HDI rank of 189	79	Gini Index	53.3
Life expectancy	years	75.5	UN Education Index	0.689	Poverty ³	% 9.6
Urban population	%	86.6	Gender inequality ²	0.386	Aid per capita \$	1.3

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The review period was marked by increasing political polarization in view of the 2018 elections and sluggish economic development during the weak Temer administration. Political conflicts in 2018 were largely dominated by the campaign for the presidential and parliamentary elections in October 2018. The run-off elections on October 28, 2018 resulted in the victory of right-wing candidate Jair Bolsonaro with 55.1% of the vote against his opponent Fernando Haddad with 44.9%. In the 2018 electoral campaign, social media played an important role, which particularly benefited right-wing candidate Jair Bolsonaro. Bolsonaro reached a huge number of followers with his provocative statements, expressing himself in a racist, homophobic and intolerant manner. He described himself as an admirer of the 1964 to 1985 military dictatorship and a proponent of torture. Bolsonaro made public safety a central theme of his campaign. He proposed liberalizing Brazil's strict gun laws and waiving punishments for police officers who use violence. As a result of the 2018 parliamentary elections, the Brazilian party system is more fragmented than ever, making it harder for the new government to pass legislation. In the Lower House of the National Congress, 30 political parties are represented in the current legislature (2019–2023). In the Senate, the situation is very similar. While a protest vote was expected in 2018, the magnitude of the volatility has surprised most observers. The Lower House underwent its highest renewal rate in 20 years (47.3%). In the Senate, the renewal rate was the highest in its history (85%).

In February 2018, President Temer ordered the army to take overall responsibility for public security in the city of Rio de Janeiro, arguing that this was the only response to extreme violence. The mandate for the armed forces ended in December 2018 and did not lead to the desired results. The rampant violence and insecurity resulted in growing outbursts of support for the military and for military intervention. During a strike by truck drivers in May 2018, which lasted 11 days, some strike leaders openly called for a military coup. Nostalgia for military rule was actively nourished by presidential candidate Jair Bolsonaro and other political outsiders.

Brazil's economic development in 2017 and 2018 was characterized by a slow recovery from the deep recession of 2015 to 2016, with unemployment remaining high at around 13%. Foreign trade and foreign direct investment developed positively, but the large government debt and structural fiscal deficits are still causing problems. The government of President Temer was able to reform labor legislation and introduce a budget ceiling for government spending. In addition, the administration privatized a number of state-owned enterprises. The announced pension reform, which is urgently needed to consolidate the state budget, could not be implemented due to the lack of a government majority in Congress. Initially, the Temer government had a clear majority in parliament, although backing for the president began to fade from 2017. The president had to sack several cabinet members following allegations of corruption, while various corruption allegations were leveled against Temer himself, and the president was repeatedly targeted by the judiciary. Twice, Temer managed to avoid impeachment, but this cost him substantial political power and restricted his scope for strategic policy-making.

History and Characteristics of Transformation

Democratic transformation in Brazil spanned a period of almost 20 years. The first steps toward liberalizing the authoritarian regime (1964–1985) were taken in 1974. In 1984, Brazil experienced the most massive political mobilization in its history in connection with a campaign calling for the direct election of a democratic president. However, the armed forces insisted on the indirect election of the first civil government since 1964. Tancredo Neves was elected president by an electoral assembly in January 1985, but died before he could take office. The office was assumed by the elected vice president, José Sarney (1985–1990). A new democratic constitution took effect in October 1988. The transition to democracy was completed in March 1990, when the first directly elected democratic president, Fernando Collor de Mello, assumed office. Implicated in a corruption scandal, Collor was removed from office in September 1992, and Vice President Itamar Franco served out the remainder of Collor's term. The internationally renowned sociologist Fernando Henrique Cardoso won the presidential elections in October 1994. In 1998, Cardoso was re-elected to a second term of office (1999–2002). On October 27, 2002, Luiz Inácio da Silva (popularly called "Lula"), a former union leader and Workers' Party (Partido dos Trabalhadores, PT) chairman, was elected president. In October 2006, Lula was re-elected to a second term of office (2007–2010). Lula managed to ensure the nomination and election of his protégé, Dilma Rousseff, as his successor. Rousseff was elected in October 2010 and took office as Brazil's first female president in January 2011.

In October 2014, Rousseff was re-elected for a second term. After a highly controversial impeachment process, Rousseff was suspended in May 2016 and removed from office in August 2016. Vice President Michel Temer became acting president in May 2016 and was sworn in as president for the remainder of the presidential term in August 2016. After a highly polarized electoral campaign, the right-wing politician Jair Bolsonaro was elected as Brazil's new president in October 2018. Former President Lula, whom the PT had initially nominated as a presidential

candidate, was not allowed to run for office. He is serving a long prison sentence for corruption, whose legal justification is questioned by many observers. The new President Bolsonaro took office on January 1, 2019.

After the end of World War II, Brazil's transformation toward a market economy was guided by the concept of import substitution industrialization. The developmentalist period lasted until the 1980s. During this time, the Brazilian government set priorities for industrialization and was a primary actor in industry. State-owned enterprises played a central role in many sectors and the state development bank provided funding for areas deemed by government planners to be of high priority. During the 1990s, a partial reversal of the developmentalist model took place, preparing the ground for privatization and a liberalization of the economy. The Lula government adhered to the macroeconomic stability policy introduced by the Cardoso administration and at the same time massively expanded social policy. Thanks to favorable external conditions (commodity boom), the PT administration was able to combine economic growth with social development and liberate millions of Brazilians from poverty. Since 2013, Brazil's economy has been increasingly in trouble and slipping into recession. Starting in 2016, President Temer adopted a much more neoliberal course. From 2017, the economy has stabilized but unemployment has remained high and the budget situation tense. Economist Paulo Guedes, appointed by President Bolsonaro as a "super minister" of economics and finance, wants to foster economic growth through a rigorous liberalization, deregulation and privatization. President Bolsonaro has promised that by the end of his term in office Brazil will be among the 50 easiest countries in the world to do business.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force is established nationwide in principle, but does not function completely. There are generalized problems related to the failure of security policies and persistent deficiencies in law enforcement. In several large cities, the state is unable to completely guarantee private and public security. Organized crime funded by weapons and drugs trafficking is extremely powerful in several metropolitan areas, including Rio de Janeiro, Rio Grande do Norte and Recife. Among the states with the greatest violence and security problems are Sergipe, Rio Grande do Norte, Alagoas, Pará, Amapá, Pernambuco, Bahia, Goiás, Ceará and Rio de Janeiro. While some parts of metropolitan areas are controlled by drug-trafficking gangs, others are under the influence of militias. These are para-military organizations, largely formed by off-duty police and firemen. Militias control numerous favelas and operate in many neighborhoods. Several million people live in areas controlled by militias. They are known to carry out executions, extract protection money and threaten those who refuse to pay.

Civilian authorities generally maintain effective control of the federal security forces, but state-level security forces have committed numerous human rights abuses such as unlawful killings, use of excessive force, beatings, abuse, and torture of detainees and inmates. Federal, state and military police often enjoy impunity in cases of torture, as in other cases of abuse. The responsibility for public safety lies largely with the states. Police forces, which patrol the streets and investigate crimes, are decentralized and under control of the state governments. In February 2018, President Temer ordered the army to take overall responsibility for public security in the city of Rio de Janeiro, arguing that this was the only response to extreme violence. The mandate for the armed forces ended in December 2018 and did not lead to the desired results. Between February and December 2018, shootings in Rio de Janeiro rose 56% compared with the same period in 2017. Although the overall number of homicides decreased 5%, the number of people killed in military operations rose by 40%.

Question
Score

Monopoly on the
use of force

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All citizens are accorded the same civic rights, and the vast majority fundamentally acknowledges the state's constitution. Although a large number of people continue to encounter major difficulties in exercising their basic rights, ethnic, religious and cultural minorities are not systematically excluded from political citizenship, on either a de jure or de facto basis. Brazil is an important destination for migrants from neighboring countries. A large number of Haitians have come to Brazil in search of jobs and better living conditions. In recent years, more than 150,000 Venezuelans have crossed into Brazil fleeing economic, humanitarian and political crises. Many of them have stayed in Roraima, one of Brazil's poorest and least populous states, which borders Venezuela. Roraima is ill-equipped to cope with the pressure that the influx of migrants is putting on public services, particularly schools and hospitals. This has led to an increase in xenophobic attacks in recent years.

The state is secular. Religious dogmas have had no noteworthy influence on the country's legal order or political institutions in the past. However, the political influence of religiously motivated forces has grown in recent years. The percentage of citizens who identified as evangelicals has grown from around 7% in 1980 to an estimated 25% today. The so-called evangelical caucus, the group of members of parliament that either belong to or sympathize with a Pentecostal church, accounts for more than 200 seats in the 513-seat lower house. President Bolsonaro, in office since January 2019, sympathizes with the concerns of the evangelicals. Though he is a baptized Catholic and has not renounced his Catholicism, in 2016, Bolsonaro formalized his relationship with evangelicals by being baptized in Jordan by a prominent leader of the evangelical Assembly of God. The evangelical caucus is a significant conservative voice in debates on gender-related issues (e.g., abortion, same-sex marriage and family planning) in the Chamber of Deputies. An important concern of the right-wing evangelicals is a reform of the education system. The "Schools Without Political Parties" program, which they have been promoting for years, aims to liberate schools from alleged left-wing influence and "gender ideology." Pressure from evangelicals made President Bolsonaro appoint a distinguished anti-Marxist minister of education. Initially, a well-known moderate education expert had been designated for the post.

The administrative structures of the state provide most basic public services throughout the country, but their operation is to some extent deficient. In 2015, 98% of the population had access to a water source and 83% to sanitation. The state apparatus operates efficiently and professionally in some regions, while others are still characterized by clientelism and patronage, demonstrating considerable need for reform. Many cities face substantial challenges in terms of delivering infrastructure services, reducing water and air pollution, reducing disaster risks, and addressing problems of water scarcity and the lack of access to basic services. Adequate access to basic state services is hampered for significant parts of the population by social inequality, corruption and violence.

State identity

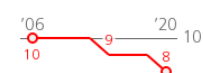
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No interference of religious dogmas

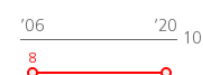
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Basic administration

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2 | Political Participation

There are no essential constraints on free and fair elections, as the 2018 elections again demonstrated. General elections are conducted regularly on the national level, universal suffrage with secret balloting is ensured, diverse parties with varying platforms are able to run and political posts are filled according to the outcome of elections. Legal regulations provide for a fair registration procedure for all elections; candidates and parties are not discriminated against. The electoral management body is impartial and effective. All citizens are allowed to compete in elections if nominated by a registered political party. Elections are regulated by Law No. 9.504/97, which is periodically adjusted so as to reduce inequalities in the electoral process caused by abuses of economic and political power. The Supreme Electoral Court enforces these rules and actively sanctions politicians and organizations that do not respect the law. Political parties operate without restriction. All adult citizens can participate in national elections. Registration and voting are compulsory. In practice, nearly all citizens of voting age are registered. Voting is accessible, secure and secret to ensure effective participation.

A series of electoral reforms that came into force during the last legislative period were designed to reduce the huge number of political parties operating in Brazil, cap campaign financing and limit the power of coalitions. In 2015, Brazil's Supreme Court banned corporate donations for electoral campaigns. Instead, a Special Campaign Finance Fund was created, with 2% of the resources from this fund divided equally among all parties. The other 98% of funds are distributed according to various criteria, which take into account the number of votes obtained and congressional representation. This favors parties with a strong presence in Congress. Moreover, the new regulations favor rich candidates and encourage alternative sources of financing such as the use of religious funds. Since 2016, the campaign period has been reduced from 90 to 45 days.

Democratically elected political representatives have the effective power to govern. No individual or group holds a de facto veto power. The military is effectively subordinated to civilian decision-makers. The clergy, business elites and external actors cannot be regarded as veto powers. However, there are powerful landlords in some rural areas who have strong influence on the local judiciary and police forces, and who respond violently to attempts at agrarian reform and other legal activities that run counter to their interests.

Free and fair elections

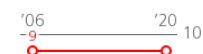
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Effective power to govern

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The constitution guarantees the unrestricted freedoms of association and assembly, and these rights are enforced. Brazil has ratified international human rights treaties that obligate the government to safeguard the freedoms of expression and association. There are no restrictions on assembly and association for particular groups. Groups are able to operate free from unwarranted state intrusion or interference in their affairs.

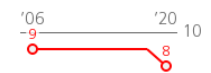
President Bolsonaro, who has been in office since January 2019, repeatedly expressed racist, homophobic and intolerant ideas during the 2018 electoral campaign. He described himself as an admirer of the 1964 – 1985 military dictatorship and as a proponent of torture. Even though he has performed somewhat more moderately since his electoral victory, such remarks have led to enormous fears among sections of the Brazilian population and abroad that a restriction of civil liberties could occur under his presidency. One of the first acts of the new government in January 2019 was the introduction of a provisional measure that would allow it to supervise, coordinate, monitor and observe the activities and actions of international agencies and non-governmental organizations within national territory. Many civil society organizations have criticized the measure as a violation of the constitutionally guaranteed freedom of association and association. However, at the present time, it is still too early to judge whether the measure will actually lead to a substantial limitation of legal guarantees.

The constitutional guarantees of freedom of expression are strong. The freedoms of opinion and the press are unrestricted and respected. Brazil is a cofounder of the Open Government Partnership and enacted an Access to Information Law in 2011. However, the rising level of violence against journalists and lack of political will to protect journalists effectively have caused Brazil to fall from rank 58 in 2010 to rank 102 out of 180 countries in the 2018 World Press Freedom Index. The national media are free from federal government pressures and provide vigorous reporting on controversial issues and government performance. Media ownership in general is highly concentrated and information is often biased in favor of private power interests.

There are no government restrictions on access to the internet. Brazilians are among the most active internet users in the world. Time spent on social media networks is well above the global average. More than 85% of Brazilians are active on social media platforms. In the 2018 electoral campaign, social media played an important role. This benefited in particular the right-wing candidate Jair Bolsonaro, who reached a huge number of followers with his provocative statements. In early 2018, Brazil's electoral court launched a special task force comprising the intelligence services, army and police to crack down on "fake news" ahead of the October 2018 general election. The idea was to uphold democracy and put a stop to misinformation. Critics feared that restricting social media platforms could become a form of censorship, but such fears have not come true.

Association / assembly rights

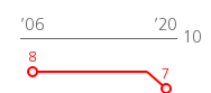
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Freedom of expression

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3 | Rule of Law

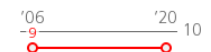
The principle of the separation of powers is explicitly contained in the 1988 constitution. The powers of the federal government are divided horizontally among the executive, the legislative and the judicial power. There are almost no restraints on the basic functions involved in the separation of powers, and mutual checks and balances are in place. The constitution makes the president accountable to the National Congress. The legislature can require any executive minister to appear personally to testify or answer written interrogatories. The National Congress has the power to legislate, but that power is not exclusive. Considerable legislative power is granted to the executive. The president has the right to issue delegated laws and provisional measures that have the force of law for a limited period. He or she may also veto legislation, and only an absolute majority vote of both houses of the National Congress can override this decision. In addition, the National Congress is not allowed to authorize programs that are not included in the annual budgetary law. This grants the executive extraordinary power to prevent the passage of legislation to which it is opposed. The judiciary checks both the legislature and the executive through the power of judicial review. On numerous occasions, the Supreme Court has abolished laws because of perceived constitutional violations. Brazil has a federal system of government in which governmental powers are divided among the federal government, the states and the local authorities.

The judiciary is institutionally differentiated and largely independent from government intervention. Courts usually manage to control whether government and administration conform to the law. There is ample authority granted to judges to evaluate the constitutionality of the government's acts. The efficiency of the judicial system is partially restricted by limited capacity and corruption. The judicature is heavily overburdened. There are vast disparities in citizens' abilities to access legal counsel and the administration of justice, due to extreme inequalities in the resources available to citizens. Brazilian law is heavily procedural. Despite repeated attempts at reform, the legal system still operates inefficiently.

Increasing political and social polarization has led to criticism of the actions of the judiciary in recent years. Above all, the conviction of and long prison sentence handed to former President Lula for money-laundering and passive corruption met with a very mixed public response. Lula was the first former president to be convicted of a criminal offense by ordinary courts. While some observers interpreted this as proof that the judiciary is operating independently of public opinion and that nobody, no matter how influential, is above the law, others accused the judiciary of singling out Lula over dozens of other corrupt politicians, most of whom are still in office.

Separation of powers

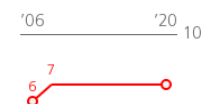
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Independent judiciary

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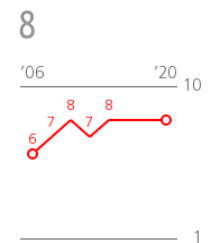
Widespread corruption has long been a central problem for Brazilian society. Politics and the economy are confronted with systemic corruption. The country has numerous laws designed to prevent or detect corruption. However, these have proven to be largely ineffective for a long time. Since 1992, there has been a law that defines civil sanctions applicable to public agents who use their position for personal gain. Brazil is a signatory to the OECD Anti-Bribery Convention, the U.N. Convention Against Corruption and the Inter-American Convention Against Corruption. Nevertheless, political impunity has historically been deeply ingrained in the country. The introduction of transparency mechanisms has significantly increased the detection of corruption over the past 15 years. The introduction of plea bargains and the 2014 Clean Company Act led to noticeable progress in anti-corruption efforts. The number of public servants and elected officeholders suspended or removed from office by the courts or by government agencies responsible for oversight of the bureaucracy has increased tremendously in recent years.

For some years, Brazilian courts have been dealing with the biggest corruption scandal in the history of Latin America, the so-called Lava Jato (Car Wash) Operation, in which more than 200 people have been convicted, among them successful entrepreneurs and high-ranking politicians. In part, the courts and judges have been accused of political bias, but a large part of the population supports ongoing investigations and trials. The imprisonment of corporate executives and senior politicians has mitigated public perceptions of widespread impunity in the country. At the same time, however, the detection of the widespread corruption also led to disenchantment with politics, giving rise to extremist views.

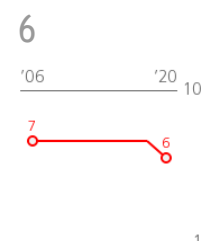
The impunity of politicians has long been promoted by the so-called privileged standing (*foro privilegiado*). This is a legal concept that gives nearly 55,000 sitting politicians the right to have cases against them heard by a higher court. The rule is designed to protect officials from politically motivated prosecutions by putting their cases in front of more experienced judges. However, in practice, it has effectively shielded senior politicians from conviction. In April 2018, the Supreme Court severely restricted the generous interpretation of privileged standing and thus potentially exposed politicians to much swifter justice.

The Brazilian constitution contains comprehensive guarantees for the protection of civil rights. It promises to promote the well-being of all citizens, without prejudice as to origin, race, sex, color, age or any other potential ground for discrimination. Men and women have equal rights and duties. The freedom of religion is guaranteed. Mechanisms and institutions to prosecute, punish, and redress violations of civil rights are in place, but often prove ineffective. In spite of constitutional guarantees, violations exist in practice, particularly in rural areas and urban slums. Brazil has a very high firearms-related homicide rate. Most violent crime is related to the illegal drug trade. In many states, police groups referred to as “death squads” terrorize shantytown dwellers and intimidate human rights activists. The prison system is

Prosecution of office abuse



Civil rights



anarchic, overcrowded and largely unfit for human habitation. Recurring mass killings in Brazil's prisons are proof of the authorities' failure to provide humane conditions and maintain control within the prisons. Many prisons are informally "privatized," not run by representatives of the state, but rather by the very gangs they incarcerate. Thousands of poor Brazilians work under conditions analogous to slavery. As a consequence of violent crime, corruption, mistrust of the police and highly centralized federal legal codes, many Brazilians do not feel that they are in a position to ensure their personal safety. In 2017, 63,880 people died violently in Brazil. The murder rate went from 29.9 per 100,000 people in 2016 to 30.8 in 2017, a 3.7% increase. There was a 20% increase in the number of deaths resulting from police action.

For Brazilian society, the lack of public security has been a central problem for years. At the same time, the impression prevailed that politics was not really interested in this topic. This benefited Jair Bolsonaro, who made public safety a central theme of his campaign for the 2018 presidential election. Bolsonaro proposed liberalizing Brazil's strict gun laws and waiving punishments for police officers who use violence. He was continuously photographed making a gun gesture with his hands. While his suggestions do not appear likely to tackle the root causes of Brazil's staggering levels of violence, their popular appeal demonstrated that Bolsonaro successfully identified an issue that other candidates were largely ignoring. Bolsonaro's constituents hoped he would introduce a hardline policy that would combat rampant violence and insecurity. His opponents fear because of his repeated racist, misogynistic, anti-gay and intolerant remarks that his government will endanger civil rights.

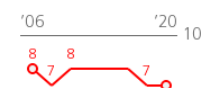
4 | Stability of Democratic Institutions

Democratic institutions exist and perform their functions, but they are not free from counterproductive friction. Governing Brazil is a complex challenge, not only because of the size, complexity and heterogeneity of the country, but also because the 1988 constitution is characterized by a tendency toward over-regulation. It gives great weight to the separation of powers between the executive and legislative branches, the cooperation between federal, state and local governments as well as the representativeness of the legislative chambers. The judicial system and autonomous institutions received extensive powers and became protagonists in recent years, consolidating themselves as important players in the Brazilian political system.

Since the return of democracy, no party has achieved an absolute majority in Congress. This means that all governments have been formed of coalitions of parties. Given the large number of parties represented in parliament, these coalitions are often composed of more than a dozen parties. Experts have therefore spoken of a system of "coalition presidentialism," with the president obtaining the cooperation of

Performance of democratic institutions

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Congress through negotiation and the use of budgetary clientelism. This system has positive and negative readings. On the one hand, it promotes the search for political consensus and pragmatic behavior. On the other hand, it can also favor pork-barrel politics and corruption. Furthermore, the functioning of the system depends heavily on the negotiating skills of the president.

President Jair Bolsonaro, in office since January 2019, faces a Congress even more fragmented than before 2018. At the same time, Bolsonaro has refused to form a coalition with a larger number of parties represented in Congress. In selecting his cabinet ministers, he has paid less attention to the parties than to the large conservative blocks represented in parliament: the powerful agricultural, evangelical Christian and law enforcement blocks, known collectively as the “Bullets, beef and bible” caucus. Since the newly elected Congress did not start until the beginning of February 2019, it is not yet possible to assess whether Bolsonaro, through cooperation with the congressional blocks, really will succeed in implementing his legislative proposals.

In principle, democratic institutions are accepted as legitimate by all relevant actors. The Landless Workers Movement (Movimento dos Trabalhadores Rurais Sem Terra, MST) is not an anti-democratic organization, though it sometimes uses extralegal means and has been criticized for its confrontational relations with governing institutions. The military does not play a political role. Despite his publicly expressed nostalgia for the military rule of the 1960s and 1970s, Brazil’s new president, Jair Bolsonaro, has insisted that his government will follow the constitution. Under Bolsonaro, several military officials hold important government posts. This includes the vice president, the head of the institutional security office at the presidency, the defense minister, and the minister for science, technology and communications. These appointments have led to fears of a creeping militarization of Brazilian politics and an erosion of the country’s democratic institutions. However, the appointment of individual military officers does not automatically mean the army is involved as an institution.

Although the relevant actors accept the democratic institutions, the events of recent years have shown that many actors are willing to exploit the existing institutional instruments for their own purposes. The 2016 impeachment procedure against former President Dilma Rousseff was clear evidence of this. The president’s removal for fairly technical violations of budgetary law by a Congress where a majority of members themselves face charges of corruption was a purely political move. Another worrisome development is the increase in anti-democratic displays in the general population and from certain politicians, including new president, Jair Bolsonaro. During the 2018 electoral campaign, Bolsonaro repeatedly issued declarations incompatible with liberal-democratic values. He has said he would rather have a dead son than a gay one, told a congresswoman she didn’t “deserve” to be raped by him and said people who live in settlements founded by escaped slaves are “not even good

Commitment to democratic institutions

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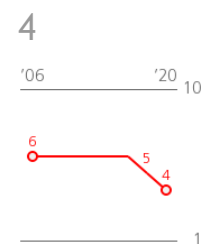
to procreate.” He has said the answer to gun violence is to give law-abiding citizens bigger guns, that criminals should not be treated as “normal human beings,” he pledged to “purge” Brazil of his left-wing foes and said that PT supporters would be gunned down. It remains to be seen to what extent such statements were merely targeted political improprieties in order to win votes.

5 | Political and Social Integration

The Brazilian party system was already one of the most fragmented in the world before 2018. As a result of the presidential and parliamentary elections of 2018, this situation has worsened. In the Lower House of the National Congress, 30 political parties will be represented during the current legislature (2019–2023). The PT (Partido dos Trabalhadores) lost 13 seats, but with 56 (out of 513) members of parliament it will still be the strongest party. The right-wing conservative Partido Social Liberal (PSL), whose members include the new president, Jair Bolsonaro, won 52 mandates, 51 more than in the last elections. On the other hand, centrist parties suffered serious losses. The MDB (Movimento Democrático Brasileiro) lost almost half of its 66 seats, winning only 34 mandates. The PSDB (Partido da Social Democracia Brasileira) accounts for only 29 (previously 54) mandates. In the Senate, the situation is very similar. The 81 senators now represent 23 different parties. MDB and PSDB also suffered losses here, but with 12 (MDB) and nine (PSDB) senators they still represent the two largest groups. The PSD (Partido Social Democrático) accounts for seven senators and the PT for six.

The reasons for the strong fragmentation and volatility of the Brazilian party system are manifold. The 2018 elections represented a protest, anti-establishment election. The results are also the product of increasing political polarization. This affected above all the centrist parties. MDB and PSDB, both represented in the interim government of President Temer, were also punished by voters over allegations of corruption against many of their deputies. The first-time introduction of a 1.5% threshold clause has not prevented an increase in fragmentation. The organizational weaknesses of the parties and the fact that people do not vote for parties but primarily for individuals are further explanatory factors. Although a protest vote was expected, the magnitude of the volatility has surprised most observers. Despite widespread corruption allegations, numerous studies had predicted that many deputies and senators would win re-election. But this was not the case. The Lower House underwent its highest renewal rate in 20 years (47.3%). In the Senate, it was the highest renewal rate in its history (85%). It remains to be seen what collaboration between the hyper-fragmented Congress and President Bolsonaro will look like. The big winner of the 2018 elections was definitely the extreme right. Since party switching toward the “winners” is a common feature of Brazilian politics, it is likely that President Bolsonaro’s PSL in both houses of Congress could see further growth in the coming months.

Party system

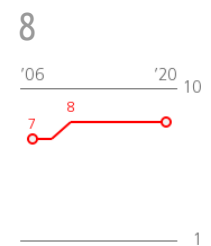


Brazil's network of interest groups is relatively close-knit reflecting most social interests, but dominated by a few strong interests. Labor and capital associations are paramount. The country's contemporary union movement was born in the struggles against the military dictatorship that ruled the country from 1965 to 1985. Following democratization there was a gradual estrangement from traditional corporatist state models. The constitution of 1988 removed the Labor Ministry's extensive powers to intervene in union affairs, but other elements of the corporatist system remained intact. The 2017 reform of labor legislation abolished the compulsory annual union tax. Workers now have to opt-in to make the payment. This has led to a massive loss of revenue for the unions. Nevertheless, the number of individual unions has further increased from 16,517 in 2017 to 16,663 in 2018. Trade unions are increasingly seeking to provide additional services to their members in order to finance themselves. The largest and most important federation is the Central Única dos Trabalhadores (CUT). In 2016, the CUT represented 3,806 individual unions with a total of approximately 7.8 million members. Entrepreneurs have a national umbrella organization. The National Confederation of Industries represents 27 industry federations in the states and Federal District with more than 1,000 associated employers' unions and almost 100,000 industrial establishments.

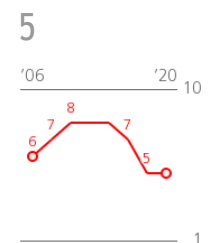
Brazil is one of the countries with the lowest support for democracy in Latin America. In 2018, the share of respondents that prefer democracy over any other form of government was only 34%, down from 43% in 2017. Support for an authoritarian regime under some circumstances reached 41% in 2018, compared to 19% in 2013. The degree of satisfaction with democracy was only 9% in 2018. Moreover, 65% of Brazilians believed that the democratic system in their country was fraught with problems and 17% even thought that one could not speak of a democracy. In this sense, the victory of political outsiders in the presidential and parliamentary elections of 2018 was a direct result of the strong dissatisfaction with the democratic institutions.

There are growing outbursts of support for the military and military intervention. During a strike by truck drivers, which lasted 11 days in May 2018, some strike leaders openly called for a military coup. The nostalgia for military rule was actively nourished by PSL presidential candidate Jair Bolsonaro and other political outsiders. In addition to the dissatisfaction of Brazilians with the democratic institutions as a whole and the political parties in particular, dissatisfaction with the interim government of President Temer and the transformed image of former President Lula contributed to political frustrations. In 2018, President Temer's approval rating dropped to an all-time low of 3%. His disapproval rating rose to 82%. The most-trusted national institution was the military (37%). In contrast, 68% expressed distrust of political parties and parliament, and 64% distrusted the president. Former President Lula, whom the PT until the last moment wanted to nominate as a presidential candidate despite his incarceration for corruption, has become a highly

Interest groups



Approval of democracy



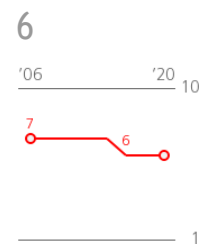
controversial figure in Brazil. He is simultaneously the most beloved politician and most hated politician in Brazil.

After the 2018 presidential election, the expectation of two thirds of Brazilians (65%) was that Jair Bolsonaro, who assumed the presidency on 1 January 2019, would lead an effective government. The share of optimists far exceeded that of pessimists: only 12% estimated that the new government would be bad. Despite the optimism of the majority of the population, the degree of positive expectations regarding the Bolsonaro administration was lower than that registered for other presidents on the eve of inauguration. When Fernando Henrique Cardoso (PSDB) assumed the presidential mandate in 1995, 70% of Brazilians estimated that he would lead an effective government. His successor, Lula (PT) assumed office in 2003 with a positive expectation rating of 76%, while Dilma Rousseff (PT) took office in 2011 with 73% believing that she would lead an effective government.

There is a robust network of autonomous, self-organized groups and civil society organizations (CSOs) in Brazil. By 2016, there were 820,000 CSOs active in the country. CSOs have expanded in recent years. The sector is of economic importance in the labor market, in addition to issues of public interest. Organizations that aim to defend rights and advocate for public interests, and religiously oriented organizations represent more than six out of 10 active organizations. Of CSOs, 86% are private associations, 12% are religious organizations and 2% are private foundations.

Interpersonal trust has traditionally been very low in Brazil. In the 2018 Latinobarómetro opinion survey, only 4% of respondents considered that one could trust most people. Latin America is the region in which interpersonal trust is lowest. Nowhere does it reach more than 20%. But at 4%, Brazil ranks last, behind Venezuela (8%), Costa Rica (10%) and Peru (11%).

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Brazil exhibits a moderate to high level of human development according to key indicators. The country's HDI score for 2017 was 0.759 with Brazil ranked 79 out of 189 countries. Between 1990 and 2017, Brazil's HDI value increased by 24.3%. National average measures mask great disparities between Brazil's relatively developed southern and southeastern regions and the socioeconomically disadvantaged northern and northeastern regions. The World Bank estimates about 24.2 million Brazilians moved out of poverty between 2004 and 2015. But from the start of 2016 to the end 2017, 2.55 million to 3.6 million have fallen back below the poverty line of \$44 per month. Since 2014, GDP per capita has fallen by 9.1%,

Brazil's inequality levels remain among the highest in the world. Levels of inequality did not fall as much as first thought under the successive PT governments. While the 2004 Bolsa Família social development program reduced poverty levels, the gap between rich and poor is still very large. Bolsa Família redistributed wealth and helped the poorest citizens, but did little that affected the elite who control most of the money. From 2001 to 2015, Brazil's richest 10% increased their income by over 50%, while the poorest 50% increased their income by just over 10%. Middle income groups saw incomes fall by over 30%. Worsening the inequality gap, Brazil's income, property and capital gains taxes are comparatively low, while people in Brazil's lowest income bracket lose a disproportionate amount of wages on service taxes.

Social exclusion is pronounced and to some degree structurally ingrained. With a Gini coefficient of 51.3 in 2015, Brazil still shows one of the world's most unequal distributions of income. The gender gap in terms of economic opportunity seems to be narrowing, but women remain at a substantial disadvantage. In 2017, Brazil had a Gender Inequality Index value of 0.407, ranking it 94 out of 160 countries. The 2017 female HDI value was 0.755 in contrast with 0.761 for males, resulting in a Gender Development Index value of 0.992. Racial inequality remains a serious problem. The high-income population is essentially white, while most Brazilians who live in poverty are black.

Question
Score

Socioeconomic
barriers

6

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6

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Economic indicators		2015	2016	2017	2018
GDP	\$ M	1802214.4	1796275.4	2053595.0	1868626.1
GDP growth	%	-3.5	-3.3	1.1	1.1
Inflation (CPI)	%	9.0	8.7	3.4	3.7
Unemployment	%	8.4	11.6	12.8	12.5
Foreign direct investment	% of GDP	3.3	4.1	3.4	4.7
Export growth	%	6.8	0.9	5.2	4.1
Import growth	%	-14.2	-10.3	5.0	8.5
Current account balance	\$ M	-54472.2	-24009.1	-7235.0	-14970.0
Public debt	% of GDP	72.6	78.3	84.1	87.9
External debt	\$ M	543397.4	543257.2	542979.7	557822.6
Total debt service	\$ M	89844.9	117495.2	95431.2	95396.0
Net lending/borrowing	% of GDP	-7.5	-6.6	-7.5	-
Tax revenue	% of GDP	12.8	12.8	12.7	-
Government consumption	% of GDP	19.8	20.4	20.0	19.7
Public education spending	% of GDP	6.2	-	-	-
Public health spending	% of GDP	3.8	3.9	-	-
R&D expenditure	% of GDP	1.3	1.3	-	-
Military expenditure	% of GDP	1.4	1.4	1.4	1.5

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

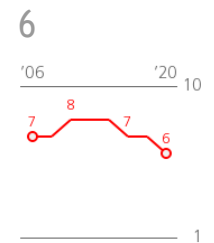
7 | Organization of the Market and Competition

Market competition has a strong institutional framework, but the informal sector remains significant. According to a World Bank study, the share of persons in informal employment in non-agricultural activities was 38.3% in 2015. According to the ILO, informal employment amounted to 45% of total employment in 2015. Pricing is largely unrestricted, but the government has controlled some important prices, such as electricity, fuel and transport tariffs. The use and transfer of profits is not regulated. The national currency, the real, is only partially convertible. Brazil is open to and encourages foreign direct investment. The government generally makes no distinction between foreign and national capital. Foreign and Brazilian investors in principle receive the same treatment, but specific laws impose restrictions on foreign investment in areas such as rural property, health care, the mass media, and maritime and air transport. Some state-owned enterprises such as Petrobras are conceded preferential terms. Organizing new investment remains a quite bureaucratic process. Entrepreneurs face high costs associated with starting a business, registering property, accessing credit, paying taxes, enforcing contracts and trading across borders. According to the World Bank's Doing Business Report 2019, Brazil ranked 109 out of 190 economies on the ease of doing business, an improvement compared to the previous report (125th). Starting a business improved considerably (from rank 176 to 140). While procedures (11) and cost (5% of income per capita) remained unchanged. In addition, the number of days required to start a business were considerably reduced from 79.5 days to 20.5 days following the launch of an online system for company registration, licensing and employment notifications.

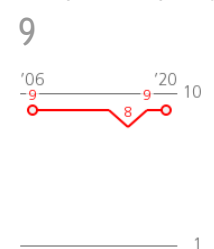
Recent corruption scandals have revealed that informal practices have undermined the formal institutional framework more strongly than previously assumed. Policies designed to eliminate market distortions have created additional distortions and preferential treatment for special interests. Levels of public and private investment are low. Efforts by the state to use flagship programs and the state development bank to increase investment in transport, logistics and other areas have resulted in high fiscal costs and limited results. The business environment is characterized by a complex regulatory framework, a burdensome tax regime, and an economy relatively closed to trade and competition. Domestic competition is low, many firms are uncompetitive and specialize in rent-seeking rather than innovation.

Competition laws to prevent monopolistic structures and conduct exist and are enforced. Brazil's antitrust framework is based on Law No. 12,529/2011. The Administrative Council for Economic Defense (CADE) is an independent agency, which reports to the Ministry of Justice. CADE's mission is to ensure free competition, its functions are preventive, restrictive and educational. CADE analyses and decides on all mergers between large companies that might undermine free competition. The council investigates and judges, all over the Brazilian territory, cartels and other anti-competitive conducts. Furthermore, CADE provides public

Market organization



Competition policy

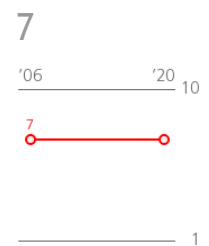


advice on business practices that might negatively affect free competition. As part of its 2016–2019 plan, CADE has three key tasks: to swiftly analyze merger operations, keeping the average time for the instruction of proceedings in the fast-track procedure to below 30 days and by prioritizing the resolution of competition issues by means of agreements; to investigate violations of the economic order more quickly, ensuring that ongoing investigations lasting more than five years do not exceed 20% of CADE’s backlog; and to tackle anti-competitive practices more effectively, through the increased use of investigative techniques and process management. In its last report, the OECD concluded that “despite some areas for improvement, Brazil has demonstrated that it has not only successfully implemented the new and improved competition regime, but that in so doing it has consolidated its position among the main antitrust jurisdictions around the world.”

Brazil is an original member of the WTO and a founding member of the Southern Common Market (Mercosur). The country considers the multilateral trading system to be at the core of its trade regime. Brazil has accepted the 2005 protocol amending the TRIPS Agreement (accepted on 13 November 2008) and the 2014 protocol concerning the Trade Facilitation Agreement (accepted on 29 March 2016). However, Brazil has retained significant vestiges of the foreign-trade policy paradigm inherited from the period of protectionist industrialization. Special exemptions and complicated registration formalities remain. Trade openness in Brazil is among the lowest in the world. The country’s Most Favored Nation applied tariff rate averaged 13.4% in 2017. There are wide variations in the tariff levels applied across different industries.

Tariffs on non-electrical machinery, electrical machinery, transport equipment and manufactures averaged 33% in 2017. Brazil has made frequent use of non-tariff measures; among the most important are local content requirements. There are burdensome procedures associated with the export and import of goods. The 2019 Doing Business Report ranked Brazil 106 out of 190 economies on the ease of trading across borders, an improvement over rank 139 in the previous report. This improvement is due to enhanced efficiency of the clearance process for imports. Brazil is an active user of anti-dumping measures. Most technical regulations concerning trade are based on international standards. The country’s Export Financing Program (PROEX) aims at providing access to credit for companies that would otherwise have difficulties obtaining it. The BNDES-EXIM program is a scheme of export credits to promote exports with local value added. Legislation allows for the application of an export tax of 30%, which can be decreased or increased up to 150%. Taxes may in principle be applied to all exports, but in practice are levied on only a few products.

Liberalization of
foreign trade



Brazil has one of the most developed and sophisticated financial sectors in Latin America. The country's banking system and capital markets are well differentiated, internationally competitive and aligned with international standards. Banking infrastructure is strong and there is a functioning system of banking supervision. Capital markets are open to domestic and foreign capital. The banking sector is dominated by domestic financial institutions, with public banks having a significant share. Meanwhile, international investors have important roles in the capital and derivatives markets.

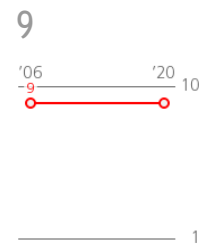
Due to appropriate policy responses and built-in financial-system buffers, the country managed to get through the global crisis remarkably well. However, the Brazilian financial system operates in a challenging environment. 121 million individuals used services provided by financial institutions in 2012. The credit to GDP ratio rose to more than 50%. This partially corrected the insufficient medium and long-term private credit supply to SMEs. Brazil's bank capital to assets ratio was 8.5% in 2015; in 2017, it rose to 10%. Bank non-performing loans amounted to 3.6% in 2017. Brazil's external solvency and liquidity positions remain strong, while the external vulnerability of the financial sector is low. The country has been experiencing sizable capital inflows over the past decade. Reserve requirements are higher than in other emerging economies.

8 | Monetary and fiscal stability

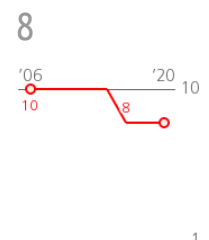
Since 1999, Brazil has followed an inflation-targeting framework for monetary policy and a floating exchange rate regime. Foreign exchange regulations have been liberalized, but without allowing full convertibility to the real. Responsibility for the formulation and conduct of monetary policy lies with the National Monetary Council (CMN), which is responsible for coordinating monetary and fiscal policies. The CMN sets annual inflation targets and monetary policy goals. Inflation and foreign exchange policies are synchronized with other economic policy goals and are institutionalized by the central bank of Brazil (BCB). The BCB is a largely independent federal institution under the organizational chart of the Ministry of Finance.

While in January 2017, the benchmark interest rate (SELIC) was still at 13%, in 2018 monetary policy included a reduction in the nominal benchmark interest rate to the lowest level since 1994. SELIC was 6.5% in March 2018 and has remained unchanged since. This policy was able to be implemented due to low price increases. Inflation has dropped significantly over the past two years. From 9% in 2015 and 8.7% in 2016, the inflation rate dropped to 3.4% in 2017 and was 3.8% in 2018. The Brazilian real has stabilized in recent years. The real to U.S. dollar exchange rate was \$1 to BRL 3.96 in 2015, \$1 to BRL 3.25 in 2016 and \$1 to BRL 3.31 in 2017. Exchange rate changes in 2018 reflected uncertainty surrounding the outcome of elections and candidates' proposals. In early 2018, the real to U.S. dollar exchange rate was \$1 to BRL 3. In December 2018, the exchange rate was \$1 to BRL 3.90.

Banking system



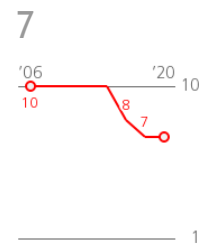
Monetary stability



In the first decade of the 21st century, Brazil's fiscal policy was considered exemplary. The 2000 Fiscal Responsibility Act subjected all levels of public administration to criteria of transparency and coordination and made them responsible for their individual fiscal performances. After the 2002 uncertainty crisis, the Lula government provided clear signals of continuity with regard to the Inflation Target Regime, which had been launched in 1999. In the following years, political and economic stability contributed to the return of financial market, business and household confidence. Since 2012, however, slowing revenue and growing real expenditure has put Brazil's macroeconomic stability under pressure. From 2013 onward, President Dilma Rousseff changed the implicit target of the fiscal policy. The underlying goal was no longer to preserve public debt sustainability, but short-term economic growth with a strong focus on stimulating household consumption, subsidized credit and indiscriminate increases in public spending. The lack of transparency in public accounts through "creative accounting" greatly weakened the country's fiscal credibility. The vulnerability of Brazil's public accounts eventually resulted in the downgrading of Brazil's credit rating from investment grade to "junk rating," which fueled further uncertainty. In 2016, interim President Michel Temer approved a spending cap, which limits the rate of growth in public spending to the inflation rate for the next 20 years. But due to a lack of political support in Congress, Temer was unable to enforce a pension reform, which was urgently needed to ensure fiscal stability.

Brazil ended 2016 with a record primary deficit in its public accounts of BRL 155.8 billion (about \$50.3 billion), equivalent to 2.5% of GDP, the highest measured thus far. In 2017 and 2018, the balance of payments has eased. In 2017, the current account recorded a \$7.23 billion deficit; in 2018, the gap rose to \$14.51 billion. The fiscal deficit amounted to 7.8% of GDP in 2017, compared to 9% in the previous year. Gross public debt stood at 76.5% of GDP in October 2018, compared to 70.5% in December 2017. Given the greater value of international reserves in national currency, the rate of growth of net public debt rose from 51.5% to 53.3% of GDP in the first 10 months of the year. Total external debt amounted to \$297.3 billion by October 2018, which was slightly lower than the \$317.3 billion recorded at the end of 2017. In relation to GDP, the external debt at the end of 2017 was 15.1%, compared with 18% a year earlier. Government consumption in 2017 equaled 20% of the GDP.

Fiscal stability



9 | Private Property

Private property rights are well defined and property acquisition is adequately regulated. Real estate registration is well developed and safe. Foreigners can purchase land and property. There are few restrictions on converting or transferring funds associated with a foreign investment. Foreign investors are allowed to remit dividends, capital and gains. Contracts are considered secure. In 2018, registering property took an average of 31.4 days and 13.6 procedures.

While once criticized for lax intellectual property (IP) rights protection, Brazil has been stepping up implementation and enforcement of international IP rules in recent years. The country is a signatory to the General Agreement on Tariffs and Trade (GATT) Uruguay Round Accords, including the Trade-Related Aspects of Intellectual Property Agreement. Brazil is also a signatory of the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Treaty, the International Convention for the Protection of New Varieties of Plants (UPOV) and the Paris Convention for the Protection of Industrial Property. In most respects, Brazil's Industrial Property Law meets the international standards regarding patent and trademark protection. Patent processing is still very slow: The average time a patent spends awaiting approval is eight years.

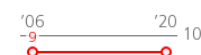
For decades, state-owned corporations dominated nearly all economic sectors in Brazil. In the 1990s and early 2000s, the Brazilian government privatized state-owned enterprises across a broad spectrum of industries. The World Bank's Doing Business Report 2019 ranked Brazil 109 out of 190 countries overall. Foreign and domestic private entities are allowed to establish, own and dispose of business enterprises. Tax regulations do not differentiate between foreign and domestic firms. Foreign individuals or foreign-owned companies can purchase property in Brazil. Foreign investment in domestic airline companies is restricted to a maximum of 20%.

The Temer government launched a multibillion-dollar plan to auction off oil, energy distribution rights and infrastructure concessions in an attempt to bolster private investment. The government sold off operating licenses for airports in the cities of Porto Alegre, Salvador, Florianopolis and Fortaleza. It also sold rights to operate federal roads in the central-western and southern regions and privatized power distributors owned by state-run power holding company Eletrobrás.

In December 2018, Brazil's aerospace company Embraer and U.S. aircraft manufacturer Boeing reached an agreement on the terms of a joint venture worth \$5.26bn, which had been under discussion for almost a year. Under the terms of the proposed partnership, Boeing will hold an 80% stake in Embraer's commercial aircraft and services operations, while Embraer will maintain ownership of the remaining 20%. Embraer's military and executive divisions were excluded from the deal with Boeing.

Property rights

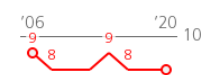
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Private enterprise

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One of the core concerns of the Bolsonaro government is the privatization of state-owned enterprises. So far, the plans have not been finalized, but there is much talk about it. However, Petrobras, the heavily indebted state-owned oil company, will not be privatized, contrary to earlier considerations. It is Brazil's biggest company and by far its most valuable asset. The goal is to raise around \$260 billion, which would be used to pay down public debt. Another issue is to increase investment and the efficiency of the privatized companies.

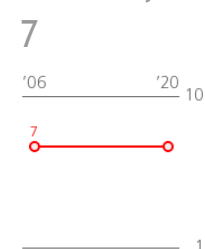
10 | Welfare Regime

Social protection policies in Brazil consist of non-contributory policies, contributory social insurances and health care policies. Non-contributory social transfers play a key part in assuring social protection for those who do not access contributory benefits. Cash transfer programs for the poorest families were first delivered during the government of President Fernando Henrique Cardoso, but it was during the terms of PT presidents Lula da Silva (2003–2010) and Rousseff (2011–2016) that the most systematic actions to confront social exclusion in the country were implemented. PT governments launched several high-priority social initiatives, including efforts to eradicate hunger, create youth employment and unify conditional cash transfer programs to enhance effectiveness in reducing poverty. Cash transfer programs have been credited with helping to significantly reduce levels of absolute poverty and inequality in Brazil. For example, 62% of the decline in extreme poverty in Brazil between 2004 and 2013 was due to changes in non-labor income, mainly conditional cash transfers under the Bolsa Família program.

In the case of contributory pensions and insurances, a dual system has been in place since the 1988 constitution, with different benefit structures for public and private sector workers. The levels, conditions and ceilings of benefits that are defined by this system are above the international average. Brazil has one of the most generous pension systems in the world. On average, men in Brazil retire at 56 and women at 53. Pension spending in Brazil rose to 8.2% of GDP in 2016 from 4.6% in 2014. Brazil's population is comparatively young and pension spending could rise to 17% of GDP by 2060 if the rules remain unchanged. Brazil has made good progress toward achieving universal health care coverage with improvements in health outcomes, but shortages in public funding, suboptimal resource allocation and weaknesses in health care delivery persist. From 2000 to 2014, total health care expenditure rose from 7.0% to 8.3% of GDP. Since 2015, public health care expenditure per capita has declined in real terms, while 2.9 million people lost private health care coverage, violent deaths have increased and there have been outbreaks of infectious diseases.

After President Rousseff was impeached in 2016 due to controversial accusations of financial irregularity, the center-right government of interim President Michel Temer instituted a neoliberal economic reform agenda. A constitutional amendment passed by the Congress in December 2016 limited federal primary expenditure on health care

Social safety nets



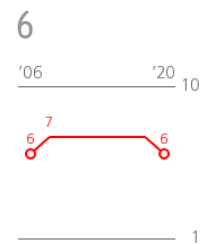
over the next 20 years, capping spending in 2017 onward to 15% of the net current revenue to 2017 spending levels adjusted for inflation. Contrary to expectations, the Temer government essentially continued the social policies introduced by the PT governments. At the same time, the interim government was not been able to obtain the necessary majority in Congress to secure its proposed, urgently needed pension reform.

Equality of opportunity is still only partially achieved. Women are equal to men under the law. In education, the gaps between men and women have narrowed, and women on average possess higher educational attainments with a ratio of 1.1 in secondary and 1.4 in tertiary education. Women's rights have expanded in the home, the workplace and in land ownership. In 2017, the female HDI value for Brazil was 0.755 in contrast to 0.761 for men, resulting in a Gender Development Index value of 0.992. In the same year, life expectancy for women was 72.1 years, compared to 79.3 years for men. Expected years of schooling amounted to 15.9 for men and 14.9 for women. GNI per capita was \$10,073 for women and \$17,566 for men. Brazil has a Gender Inequality Index value of 0.407, ranking it 94 out of 160 countries in the 2017 index. Women hold 11.3% of parliamentary seats and 61% of adult women have reached at least a secondary level of education, compared to 57.7% of men. For every 100,000 live births, 44 women die from pregnancy related causes. The adolescent birth rate is 61.6 births per 1,000 women aged 15 to 19. Female participation in the labor market is 53.2% compared to 74.7% for men.

According to the 2010 census, there are about 817,000 indigenous people living in Brazil, or 0.42% of the total population. Brazil has signed the Universal Declaration of Human Rights; the International Covenant on Civil and Political Rights; the International Covenant on Economic, Social and Cultural Rights; ILO Convention 169; and the U.N. Declaration on the Rights of Indigenous Peoples. Human rights monitors often report confrontations over land ownership or resource exploitation rights. Due to limited state presence in remote areas, authorities are often unable to provide the required protection.

During the 2018 electoral campaign, Brazil's new president, Bolsonaro, repeatedly drew attention through misogynistic and racist statements. He also made disparagingly comments about Brazil's indigenous population, calling indigenous territories an obstacle to mining and agribusiness, criticizing the demarcation of indigenous territories and promising to forcibly integrate indigenous people into Brazilian society. It is too early to judge whether such announcements will be implemented, but – at the beginning of his term of office – a presidential decree transferred responsibility for demarcating indigenous territories from the indigenous rights agency, Funai, to the Ministry of Agriculture. The new head of the ministry, Tereza Cristina, has long opposed tribal land rights and championed the expansion of agriculture into indigenous territories. Funai will be moved from the Ministry of Justice to the Ministry of Women, Family and Human Rights, which is led by Damara Alves, a conservative evangelical pastor.

Equal opportunity



11 | Economic Performance

After a deep recession in 2015 and 2016, the Brazilian economy rebounded slightly in 2017 and 2018, growing by 1% in 2017 and 1.4% in 2018. GDP per capita grew from \$8,720 in 2017 to \$9,896 in 2018. Gross capital formation reached 15.5% of GDP in 2017. Though the economy has still not recovered fully from the 2015 – 2016 recession, when GDP fell by close to 7.0% and GDP per capita declined by almost 9.0%. Inflation remained stable at around 4% in 2018, after 3.4% in 2017. Unemployment remained high in 2018, fluctuating between 12% and 13% in 2018 (about 13 million workers). The inflow of foreign direct investment amounted to \$86,728 million in 2018, up from \$62,713 million in 2017. This corresponded to 4% of GDP in 2017 and approximately 4.7% of GDP in 2018.

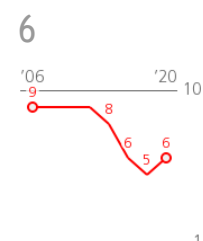
The current account deficit widened in 2018, growing from 0.4% of GDP in 2017 to 0.8% of GDP in 2018. The main reason for this was a fall in trade surplus. The trade account surplus in the period to October 2018 was \$51.7 billion, 16.7% lower than in 2017, as a result of stronger imports, which grew by 21.8% compared to a 9.9% increase in exports. The balance-of-payments current account deficit grew to 0.7% of GDP between January and October 2018. International reserves remained at \$380 billion. Total external debt stood at \$297.3 billion by October 2018, which is slightly lower than the \$317.3 billion recorded at the end of 2017. Gross public debt stood at 76.5% of GDP in October 2018, compared to 70.5% in December 2017. Total lending grew by 2.4% in the first 10 months of 2018. Personal loans climbed by 5.4% in that period, but corporate loans declined by 1.6%. Tax revenue increased 9.8% in 2018 due to stronger activity and exceptional income from concessions.

12 | Sustainability

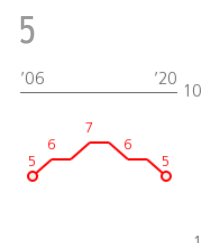
Brazil has developed many of the legal and institutional instruments necessary to reconcile development and environmental protection, including the Ministry of Environment, the National Council of the Environment and oversight agencies, and laws on water management, forest protection and biodiversity regulations. Nevertheless, it has shown only mixed success in dealing with deforestation and other major environmental challenges. Ecologically sustainable development is an issue in some sectors of the economy, but often tends to be subordinated to economic growth targets.

One of the biggest challenges facing Brazilian politics is the preservation of the Amazon rainforest, considered by many international experts to be the “lung of the world.” Brazil is home to around 65% of the Amazon, which makes up over half of its national territory. Recent studies assume that 20% of the original forest cover has already been destroyed. In recent years, deforestation has increased dramatically.

Output strength



Environmental policy



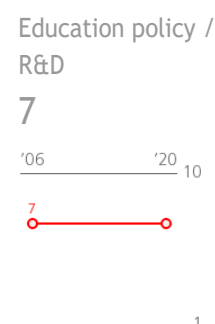
Between August 2017 and July 2018 alone, 7,900 square kilometers were deforested, a 13.7% rise on the previous year and the biggest area of forest cleared since 2008. This is also due to the fact that environmental concerns under interim President Temer were less of a priority than economic considerations. Freeing up land for cattle farming remains the main cause of deforestation in the Amazon. Brazil gets 46% of its energy and 89% of its electricity from renewables, of which the bulk comes from large-scale hydropower plants. The construction of new hydroelectric power plants requires the construction of dams and the flooding of large areas, thus altering the ecosystem.

The election of Jair Bolsonaro as Brazil's new president aroused fears among many national and international observers that the environmental situation in Brazil could deteriorate substantially over the coming years. Bolsonaro is close to the agrarian lobby, which in the past has repeatedly complained that its businesses are affected by laws protecting the environment and the indigenous population. During the election campaign, Bolsonaro had announced a withdrawal of Brazil from the Paris Agreement on Climate Change, but distanced himself after his election from this statement. Bolsonaro, however, is not the only politician in Brazil who wants to reduce existing environmental laws. At the state level, environmental agencies are usually weak. Many states are highly indebted and tend to prioritize economic considerations over environmental considerations.

Brazil has succeeded in making participation in education universal for children aged 5 to 14, but enrollment falls sharply among older children and young adults. Only 69% of 15- to 19-year-olds and 29% of 20- to 24-year-olds are enrolled in any level of education. Over half of Brazil's adult population have not completed upper secondary education. However, the proportion of young adults (25- to 34-year-olds) who have attained at least upper secondary education increased from 47% in 2007 to 64% in 2015. Brazil also faces significant regional inequities in tertiary attainment. While in the rich states more than 30% complete tertiary education, the corresponding figures for the poorest states are in the single-digit range.

In 2015, the Brazilian government spent 5.5% of GDP on primary to tertiary education. This corresponded to 17.3% of its total expenditure, up from 14.7% in 2005. However, education expenditure per student is rather low. The Brazilian government spends about \$3,800 annually per student on primary, secondary and post-secondary non-tertiary public institutions, less than half the OECD average. Teachers' salaries in Brazil are relatively low and there are wide discrepancies in salaries between the different subnational regions of the country.

Brazil's economy has some leading firms and is excellent in some high technology fields. A few universities undertake high-quality research. This performance, however, does not spill over to the economy as a whole. Research output is still low compared to OECD countries both in terms of articles published in leading international scientific journals, and patents and trademarks. Gross expenditure on



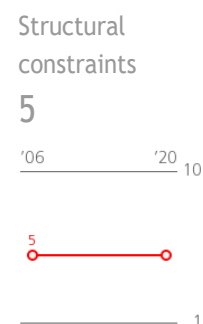
R&D is equivalent to 1.3% of GDP. Availability of funding for higher education, research and development diminished drastically in 2016 at the federal level. The National Council for Scientific and Technological Development and the Coordination for the Improvement of Higher Education Personnel significantly reduced funding both to institutions and individual researchers.

The election of right-wing conservative President Bolsonaro has led to fears that a “cultural struggle” could take place within the education sector. Since 2014, a draft bill known as “school without parties” has been debated in the federal Congress. It is part of a campaign that relies on moralistic discourses about values and complaints about left-wing indoctrination in schools, such as the teaching of so-called gender ideology. The minister of education appointed by Bolsonaro is an advocate of the law designed to suppress lessons addressing issues of gender or sexual orientation.

Governance

I. Level of Difficulty

Structural constraints on governance range from moderate to high. Brazil is not a poor country; nonetheless, serious socioeconomic inequalities divide population groups and regions. The country exhibits an average level of development and educational standards. It is an ethnically heterogeneous and highly secular society. Although around 40 million people have overcome poverty since 2003 and extreme poverty has almost been eradicated, inequality and significant regional disparities continue to present major challenges. The literacy rate is 92.6% (2015 U.N. estimate). Functional illiteracy continues to be a major problem throughout Brazil. Child mortality has fallen, maternal health has improved, and efforts to combat HIV/AIDS, malaria and other diseases all have steadily strengthened. Brazil's AIDS program has had a significant impact both on attenuating the epidemic and on improving the quality of life for people living with HIV/AIDS. A major challenge to development is urban violence, the incidence of which has increased alarmingly, affecting the population's security and quality of life. Brazil's economic growth potential is limited by increased operational costs associated with doing business in the country, making Brazilian goods more expensive than those produced elsewhere. Brazil's transportation infrastructure, including airports, roads, rail and ports, requires significant improvement.



Brazil has moderate to strong traditions of civil society. Since the country's return to democracy in 1985, the country's civil society has become increasingly organized and influential. It consists of NGOs, community-based organizations, social movements and professional associations. There is a strong group of religious associations that participate in self-help activities and in helping the urban poor organize to claim public goods. There is also a group of associations strongly connected with the state in the implementation of public policies. There has been a change in the focus of civil society participation during the last three decades. During the eighties, civil society was basically concerned with autonomy, the democratization of public policies and the establishment of forms of public control over the state. From the mid-nineties on, it became concerned with participation in various areas of public policy and with joining the state in the implementation of participatory forms of public deliberation. In recent years, civil society has undergone a significant transformation. A wave of unanticipated public protests reflected a society shaped by new technologies, new ways of organizing, and people's newfound

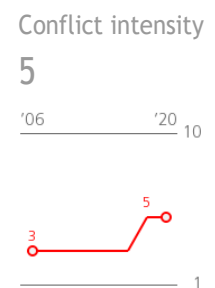


confidence in expressing their concerns and claiming their rights. Conservative civil society groups have received considerable support in recent years. Conservative groups are not homogeneous; they combine various strands of conservatism and use various collective action tactics. Their programs combine fighting against alleged left-wing economic and social policies with the fight against corruption. Traditionalism, conservative and illiberal moral values, and varying doses of economic liberalism and nationalism can be observed in this segment. Some sectors of conservative civil society are rather ambivalent about core democratic values or even openly defend authoritarian military rule between 1964 and 1985. The empowerment of conservative civil society groups has contributed to Brazil's political polarization.

The available data make reliable statements about social trust in Brazil difficult. While in the 2018 Latinobarómetro opinion survey, only 4% of respondents considered that one could trust most people, the OECD's 2015 Better Life Index states that there is a moderate sense of community and high level of civic participation in Brazil. 90% of people believe that they know someone they could rely on in time of need.

There are no irreconcilable ethnic, religious or social clashes in Brazil, but there are extreme social and regional disparities. Social life in Brazil is characterized by the largely peaceful manner in which a multiplicity of ethnic groups lives together. However, racial inequality is still a serious problem. Brazil continues to be an extremely unequal country, and racism is an important element in understanding the dynamic of this framework of inequality. The high-income population is essentially white, while most Brazilians who live in poverty are black. The main source of violence in Brazil is criminal rather than political. There is a high rate of criminal activity in major cities, where 25% of the population is believed to live in favelas or shantytowns. Violence is no longer purely an urban phenomenon, but has spread to the countryside. An imbalance in land distribution leads to episodic violence in rural areas, a particular problem in the Amazon.

The intensity of political and social conflicts has increased significantly since 2013. The impeachment of former President Rousseff in 2016 revealed deep divisions within Brazilian society and the political class. Former President Lula, who is now controversially serving a long prison sentence, is the country's most beloved and most hated politician. Right-wing President Jair Bolsonaro, who has been in office since January 2019, has pushed polarization through his excessive rhetoric against "the left," women, LGBT and indigenous people, and Afro-Brazilians. The election of Bolsonaro was a result of social polarization and at the same time further fueled it.



II. Governance Performance

14 | Steering Capability

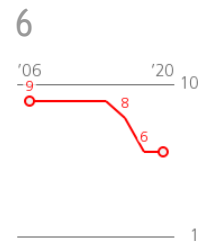
The interim government of President Temer, following the controversial impeachment of former President Rousseff, was only partially able to set strategic priorities and pursue a longer-term perspective. Temer promised that his government would overcome the economic recession through liberalization measures. For example, Temer introduced a budget ceiling, which should limit government spending in the long term, and increased the flexibility of tendering procedures, which should facilitate the participation of foreign companies. The government also aimed to reform the labor market, and pension and tax systems. However, from 2017, the government and the president became increasingly self-absorbed and lost sight of their strategic priorities. The president had to sack several cabinet members following corruption charges. Indeed, various corruption allegations were leveled against Temer himself and the president was repeatedly targeted by the judiciary. Twice, Temer managed to avoid impeachment, but this cost him so much political power that there was little room for strategic policy. Furthermore, due to the forthcoming elections, the president had to replace many cabinet members, as they wanted to compete for electoral office and were unable to collaborate together in government.

The government of President Bolsonaro has so far shown few clear policy priorities. Bolsonaro was able to win the 2018 elections without specifying his policy goals. It is also uncertain how far Bolsonaro will succeed in forging parliamentary majorities for his policies. The president has deliberately ruled without forming a coalition government and wants to rely more on cross-party blocs (e.g., evangelical, agribusiness and social conservative blocs) in negotiations with parliament. The weakening of the traditional parties, PSDB and MDB, and the fragmentation of parliament could help him with this strategy. Since the new parliament did not start until February 2019, no statements can be made so far.

Taking Bolsonaro's rhetoric in the 2018 election campaign seriously, his goals are in clear contradiction to the BTI's normative concept of democracy. However, it remains to be seen to what extent this rhetoric will be implemented. In economic terms, Bolsonaro presented himself in the election campaign as a globalization skeptic, similar to U.S. President Donald Trump. The appointment of the ultra-liberal Paulo Guedes as super-minister of economics suggests, however, that Bolsonaro wants to pursue a market economy course.

Question
Score

Prioritization



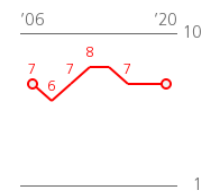
Initially, the Temer government was able to pass some of its reform plans. These included the controversial reform of labor legislation and the implementation of a 20-year budget cap. For these measures, the government managed to secure the required majorities in Congress. However, from 2017, backing for the president began to fade. Temer saw his congressional support erode amid a slew of corruption allegations and record-low popularity. In early 2018, the government shelved its proposal for a pension reform as legislators balked at supporting austerity measures in an election year.

The government has been quite successful with regard to its goal of reducing the state share of the Brazilian economy. In the last five years, nearly 400 Brazilian companies have been sold to foreign interests. In 2017, the number of sales increased by 40%. Foreign capital was invested in 108 Brazilian companies. In 2018, around 50 state-owned enterprises were sold.

Brazilian governments have proven capable of learning from past experiences by means of effective monitoring and evaluation. They have promoted international knowledge exchange and cooperation. Brazil is a strong and active partner of international organizations, including the OECD and the World Bank. It values the opportunity to discuss major policy issues and challenges in a multilateral context. For several years, the Brazilian government has engaged in competency management as part of a strategy to strengthen the capacity of the public service. It has undertaken considerable efforts to strengthen human resources capacities in the public service by increasing entry-level skills and emphasizing continuous training. The administration established a System for Institutional Organization and Innovation of the Federal Government, which is aimed at building collaborative networks to improve public management, developing quality standards, reducing operational costs, and securing the continuity of the processes of institutional organization and innovation. However, the quality of public administration and governance suffers from the fact that, in addition to modern segments, traditional patrimonial elements continue to play a major role. Ineffectiveness in the delivery of public services and patrimonialism, resulting in many recent cases of corruption and mismanagement, have led to widespread public dissatisfaction with government and administrations.

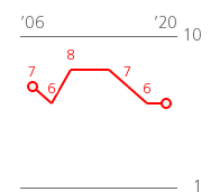
Implementation

7



Policy learning

6



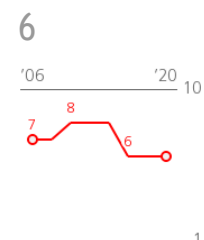
15 | Resource Efficiency

Brazil has a relatively well-functioning state administrative apparatus, especially at the federal level. Regulations require the civil service to be impartial, independent and fairly managed. Most appointees are hired through public examinations. In some areas, civil servants must be hired according to criteria of professional evaluation. Positions of responsibility are often filled with political appointees; in the federal sphere alone, there are more than 23,000 such positions. According to the World Bank's Worldwide Governance Indicators, government effectiveness is below what might be expected given Brazil's strong administrative capacity. Data show rather low scores especially on policy efficiency and regulatory quality. The structures and quality of the administration at the regional and local level show great variation. Some municipalities have introduced a participatory budgeting procedure that grants civic organizations substantial opportunity for input in budget preparation and oversight. However, clientelistic patterns have prevailed in a considerable proportion of municipalities.

Decreasing tax revenues due to the economic crisis and persistently high government spending have led to substantial imbalances in Brazil's fiscal situation, leading to a growing debt burden. A very generous pension system is one of the reasons why government spending cannot simply be cut even if revenues fall. Large fiscal deficits translated into rapidly rising public debt. In 2015, this resulted in Brazil losing its investment grade credit rating. Since 2016, the interim government under President Temer has been keen to re-establish the macroeconomic balance by boosting private investment and productivity growth. In December 2016, Congress passed a government bill, which limits the growth of federal government spending to the rate of inflation for 20 years, with a presidential review after a decade. However, the pension reform planned by the Temer government, the other central element of fiscal consolidation, was politically unenforceable. Without such reform, in the medium-term Brazil is threatened by a horrendous budget deficit.

In order to achieve fiscal sustainability, a reduction of government personnel expenditure is necessary. Between 2000 and 2016, federal personnel expenditure increased by about 4% per year. The personnel expenditure of the federal government, and the state and municipal governments account for a substantial portion of total government expenditure. For the federal government, the wage bill is the second largest primary spending item after social security benefits. For state and municipal governments, it is nearly half of primary expenditure.

Efficient use of assets

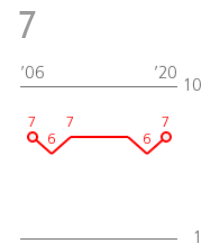


The multitude of governmental parties of varying ideological orientation and the large number of ministries made the coordination of government activities a major challenge under the PT governments of presidents Lula and Rousseff. The cabinet included up to 40 ministries and authorities with the status of a ministry. Under interim President Temer, the ideological heterogeneity of the cabinet was reduced. Numerous ministerial posts were filled with politicians from the MDB and the PSDB, while the number of ministries was reduced to 29. A key position was assumed by Henrique Meirelles, a former central bank governor, who took over the Ministry of Finance. In addition, the government had solid majorities in Congress. These factors made it easier for the Temer government to coordinate conflicting objectives and act in a coherent manner. However, the work of the cabinet was quickly undermined by the fact that several ministers had to resign due to allegations of corruption. In 2018, the president lost nearly half of the cabinet, as ministers wanted to run for an electoral office, including Finance Minister Meirelles, who ran as a presidential candidate for the MDB.

The cabinet of the new president, Jair Bolsonaro, consists of 22 ministers. Bolsonaro has further reduced the number of ministries and formed two “super ministries.” Paulo Guedes, a neoliberal University of Chicago economist, is Bolsonaro’s super minister for economic policy. The announcement of Guedes’s appointment during the campaign helped boost the confidence of entrepreneurs in Bolsonaro. Guedes is in charge of an expanded ministry with a portfolio that ranges from fiscal and trade policy to privatizations and microeconomic reforms. If the president allows him to do so, Guedes will implement a highly market-oriented economic and financial policy. The second super ministry is headed by Justice Minister Sérgio Moro. As a federal judge, Moro had been responsible for the investigations in the Lava Jato corruption scandal from 2014. He put former President Lula behind bars. While a part of the Brazilian population admires Moro as the key “corruption fighter,” another part considers him a symbol of the politicization of the Brazilian judiciary. Anti-corruption reforms will be at the heart of Moro’s agenda, but he will also oversee the crucial area of security policy. Moro is expected to follow a rule of law-oriented legal and security policy agenda. It remains to be seen to what extent President Bolsonaro will allow him to act independently. Bolsonaro’s statements in the election campaign were in part diametrically opposed to a rule of law policy course.

All in all, Bolsonaro’s cabinet gives the impression that the president has handed over specific policy areas to representatives of lobby groups, such as the Ministry of Agriculture to a representative of the agrarian lobby and the Ministry of Education to a representative of the evangelicals. Bolsonaro himself may want to play a moderating role. The new president faced a first setback in February 2019 when he had to dismiss the general secretary of the President’s Office, Gustavo Bebianno, a close friend and confidant, after corruption charges had been brought against him.

Policy coordination

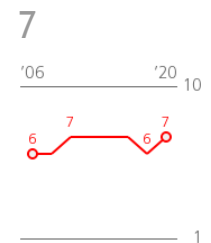


Brazil has a strong legal anti-corruption framework, but implementation and effective enforcement remain a huge problem. The Office of the Comptroller General is a central body of internal control in the federal executive branch. It undertakes inspections and audits of municipalities and states and carries out awareness-raising campaigns aimed at the private sector. Brazil is a founding member of the Open Government Partnership, a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption and harness new technologies to strengthen governance. The Fiscal Responsibility Law makes each government level responsible for its own fiscal performance and helps to check corrupt behavior. Citizens have a right of access to government information and basic government records. The judiciary can review the actions of the executive and the legislative branches. All public procurements are widely advertised. The government is required to publicly announce the results of procurement decisions. In September 2015, the Supreme Court approved new rules on campaign financing, barring businesses from making donations. A bill approved in 2016 tightened the criteria for those wishing to run Brazil's major state-owned companies. The bill states that no active politicians, no recently defeated political candidates and no one who has served as a political adviser over the previous three years is eligible to run one of the country's top state-owned firms.

Despite many laws, regulations and institutions for combating corruption, endemic corruption remains a central challenge for Brazil. But while for many years there appeared to be general impunity, in recent years Brazilian institutions have displayed more capacity to bring individuals in high office to justice. This became evident in the Mensalão vote-buying scandal uncovered in 2005 and in the "Operation Car Wash" scandal brought to light in early 2014. Politicians from across the political spectrum have been implicated in the corruption scandals.

Fighting corruption was not a priority issue for the interim government of President Temer. Instead, the president, several ministers and many members of parliament were themselves subject to corruption charges. New president Jair Bolsonaro built his campaign on a strong anti-corruption platform, presenting himself as a clean candidate and promising to change the way politics in the country is run. Bolsonaro has so far not commented specifically on how corruption should be tackled. However, with the appointment of former federal judge Sérgio Moro as minister of justice, he has signaled that the issue is important to him.

Anti-corruption policy



16 | Consensus-Building

Taking the rhetoric of new President Bolsonaro seriously, there is no longer a consensus on democracy as a strategic, long-term goal in Brazil. Bolsonaro has spoken in favor of torture, nostalgically glorified the Brazilian military dictatorship (1964–1985), and repeatedly caused uproar with illiberal, racist, anti-women and anti-gay comments. Since his election as president, he has been more moderate. However, it does not contribute to the strengthening of democracy when the supreme representative of the state tramples on democratic values, depending on political usefulness.

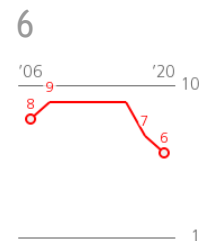
The interim government of President Temer followed a market-oriented economic policy. In Brazilian society, there is a positive basic consensus regarding a market economy. However, there are very different views among the relevant actors and groups on how strong the role of the state should be in the economy. New president Bolsonaro in the election campaign repeatedly appeared as a strong critic of a liberal world economic order. Nevertheless, the appointment of economist Paulo Guedes as minister of the economy signals support for a market-based order.

Unfortunately, it can no longer be said that there are no anti-democratic veto actors in Brazil. The highest representative of the state is at least rhetorically anything but a democrat. His anti-democratic and illiberal statements have been well received by a large proportion of voters. It is to be feared that Bolsonaro's rhetoric will strengthen anti-democratic actors.

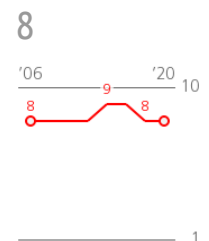
On the other hand, Bolsonaro has pledged to challenge those who threaten public security. He also wants to crack down on corruption, which is a threat to democracy. It remains to be seen to what extent the government's security policy and the fight against corruption will make use of the rule of law. It is still too early to comment on that, but anti-democratic rhetoric represents a serious threat.

Brazil is a polarized country; divided between poor and rich parts of the country, between liberal and illiberal groups. Politicians like former President Lula or incumbent President Bolsonaro are loved by a large proportion of the population and hated by another large proportion. The Temer government was too weak to prevent these conflicts from escalating. What distinguishes the situation since 2018 from previous developments is the fact that right-wing Jair Bolsonaro has deliberately fueled social cleavages and used public resentment to win votes. His right-wing populism has found a fertile breeding ground. It is still too early to judge to what extent Bolsonaro, as president, will continue to promote divisions within Brazilian society. Perhaps he will be successful in economic terms and thus contribute to defusing conflicts. But the appointment of some ministers and advisers known for

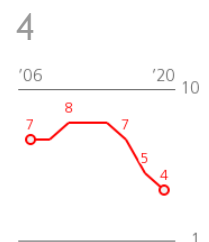
Consensus on goals



Anti-democratic actors



Cleavage / conflict management



their right-wing populism will not contribute to fostering tolerance and a general wish to depolarize structural conflicts.

A large part of the members of the Brazilian Congress were elected in 2018 for the first time. This does not seem to have led to a defusing of cleavages, but rather to a further tightening. Militant agrarian lobbyists, evangelicals and social conservatives want to transform Brazilian society in their favor. It remains to be seen whether the institutions of Brazilian democracy are strong enough to prevent an erosion from within.

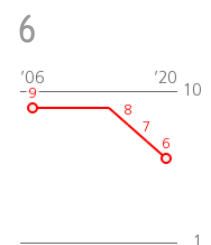
The participation of organized civil society groups in Brazilian politics has intensified since (re)democratization. An important element in enabling the participation of civil society in the political process has been the introduction of participatory budgeting in many Brazilian cities.

Further examples of civil society participation are the National Public Policy Conferences, consisting of spheres of deliberation and participation aimed at providing guidelines for the formulation of public policy at the federal level and involving representatives from both government and civil society. A wide range of public policy areas are covered by the conferences, though their reputation has eroded somewhat in the past few years and they rarely met in 2015 and 2016. With President Rousseff blocked by the impeachment process and subsequently replaced by the conservative Temer, civil society participation diminished. The tendency to engage in top-down agenda setting and policy formulation grew during the review period.

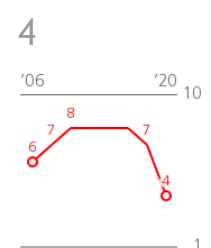
It is thought that more than 400 dissidents and guerrillas were killed during Brazil's military dictatorship (1964–1985), and more than 160 “disappeared.” Thousands were tortured, jailed or exiled. A 1979 amnesty law was upheld in 2010 by the Supreme Court, indicating that neither military officials accused of torture nor left-wing guerrillas accused of violence can be prosecuted. The armed forces have gradually accepted democratic rule, but no process of national reconciliation involving the military has taken place. In December 2014, the National Truth Commission created in 2009 presented its final report. The commission highlighted that a state apparatus of repression, devised at the highest levels of the armed forces and executive branch, operated during the period of military rule. However, the Temer government did nothing to continue the reconciliation work of the commission, and subsequently distanced itself from the commission's work – not least within the framework of its security policy, which gave the military a more important role in the fight against crime. According to AFP, Temer's Security Minister Etchegoyen even described the report of the National Truth Commission as “pathetic.”

In addition, despite the well-documented atrocities committed during military rule, there is a nostalgia among parts of Brazilian society for the country's authoritarian past. Right-wing politicians, such as new president Jair Bolsonaro, preach a nostalgic

Civil society participation



Reconciliation



interpretation of the military dictatorship. Bolsonaro has repeatedly praised one of the dictatorship's most notorious torture chiefs, Carlos Alberto Brilhante Ustra. During his nearly three decades as a congressman, Bolsonaro has also expressed admiration for authoritarian politicians like Peru's Alberto Fujimori and Chile's Augusto Pinochet. The new Brazilian president not only manipulates the memory of historic atrocities, he also uses his distorted view of history to fight his political opponents.

17 | International Cooperation

Since the reign of President Cardoso (1995–2002), all Brazilian governments have worked actively with international organizations. Partnerships with organizations such as the World Bank, UNDP, CEPAL and IADB have been used by Brazil to seek international support for their own development programs. The interim government of President Temer continued this tradition between 2016 and 2018. Brazil has been an active partner of the OECD since the 1990s and applied to become a full member under President Temer.

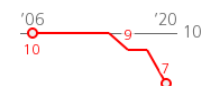
The Bolsonaro government has declared economic growth, financial stability, the fight against corruption and the improvement of the security situation to be its central goals. However, the president has not presented any concrete plans for achieving these goals. As a result, while there is a great deal of willingness on the part of many international organizations to continue working with Brazil, it is difficult to see how Brazil will approach and use cooperation under President Bolsonaro.

International organizations, other states and international NGOs for many years have considered the Brazilian government to be a credible and reliable partner. The country has generally shown compliance with existing international agreements and is cooperating with institutions and mechanisms that monitor compliance. Despite the severe political and economic crisis, this did not change under interim President Temer. In 2016, the Brazilian government ratified its participation in the Paris Agreement on climate change. Using 2005 levels as the baseline, Brazil committed to cutting emissions 37% by 2025 and an "intended reduction" of 43% by 2030.

The election campaign of 2018 and the inauguration of right-wing President Bolsonaro have increased uncertainty concerning how Brazil will behave toward multilateral organizations in the future. If one takes the rhetoric of Bolsonaro and some key figures of his government seriously, it is very unlikely that Brazil will continue to play an active international role in the future, as was the case, for example, in the Doha (trade) and Paris (climate) negotiations. Government members are harsh critics of globalism and the influence of multilateral institutions. During the election campaign, Bolsonaro even spoke of withdrawing Brazil from the United Nations. He later said he wants to withdraw Brazil from the U.N. Human Rights Council, as the United States has done. One of his first acts as president was to withdraw Brazil's

Effective use of support

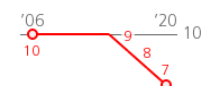
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Credibility

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signature under the U.N. Migration Pact. Bolsonaro also criticized the Paris agreement on climate change and withdrew Brazil's commitment to host the U.N. World Climate Conference in 2019. The announced withdrawal from the Treaty of Paris, however, will probably not be implemented. The inconsistent and sometimes contradictory statements by members of the Bolsonaro government on international issues makes it difficult to assess Brazil's status as an international partner.

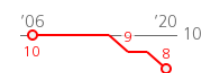
Until recently, Brazil had traditionally maintained good relations with all its neighbors and has been interested in expanding and deepening bilateral cooperation. The country's regional policy was characterized as pragmatic and interest-driven, rejecting any form of regional institutionalization that might restrict its autonomy. During the Cardoso and Lula presidencies, Brazil provided numerous impulses for regional cooperation and integration in Latin America.

However, under President Rousseff, Brazil's multilateral engagement in Latin America plummeted. This tendency intensified under interim President Temer. A central cause has been the political fragmentation of the region. Since 2017, Brazil and other South American countries have had their UNASUR (Union of South American Nations) membership suspended as the countries have failed to agree a new secretary general. In the Lima group, Brazil is working with other South American countries that are critical of the Maduro regime in Venezuela.

It is becoming apparent that the Bolsonaro administration is more prepared than previous governments to engage in conflicts with neighboring countries for ideological reasons. The presidents of the left-leaning countries Nicaragua, Cuba and Venezuela were not invited to the ceremony on the occasion of Bolsonaro's inauguration. Bolsonaro mentioned a possible disruption of relations with Cuba. The "Mais Médicos" (more doctors) program agreed with Cuba a few years ago, in which some 8,000 Cuban doctors contributed to the improvement of medical care in rural areas of Brazil, has been terminated. It is also unclear what will happen to the regional integration project Mercosul under the Bolsonaro government. Minister of the Economy Guedes made it clear at an early stage that Mercosul is not a priority for the new Brazilian government. There are plans to downgrade Mercosul to a free trade area to give Brazil more freedom to negotiate bilateral trade treaties, regardless of a common Mercosul external tariff.

Regional
cooperation

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Strategic Outlook

Brazil faces major political, economic and social challenges. The economic and financial situation stabilized under interim President Temer and there are signs that Brazil could return to a path of economic growth. Paulo Guedes, an ultra-liberal economist, heads the Ministry of the Economy. It is expected that Guedes will focus on liberalization, deregulation and privatization policies to boost economic growth and employment. A crucial question will be whether it will be possible to reduce the structural budget deficit. If the pension reform introduced in parliament in February 2019 is adopted, this would be a first step toward consolidation. However, pension reform is only a necessary, not a sufficient step toward consolidation. The large government debt (federal government, but in particular individual state debt) is a substantial obstacle to greater investment. Despite all the challenges, the field of economic policy seems to be the one in which the government is most likely to succeed.

The country's political and social development is of greater concern. The Brazilian party system is deeply fragmented, polarization between irreconcilable political fractions has reached a level in recent years that no one would have previously believed possible. In order to maintain and once again strengthen Brazilian democracy, there would have to be a basic consensus between all relevant actors. This is currently not in sight. Rather, the warring political parties tend to deny each other's legitimacy. The new president, Bolsonaro, through his sexist, anti-democratic and inhumane remarks during the 2018 election campaign, poured fuel onto the fire and provoked fear. Even though he is now more moderate, his government still propagates radical solutions. Even if only a part of the sociopolitical measures announced by Bolsonaro are implemented, Brazil's policy agenda will have become increasingly illiberal.

Other key topics include ensuring security and combating corruption. Bolsonaro was elected president because he promised swift and simple solutions to these policies. The results of opinion polls at the outset of his presidency suggest that many people are counting on his "hard-hand policy." Former federal judge Moro, a prominent anti-corruption fighter, has been given responsibility for security and anti-corruption policies. It is hoped that Moro will be able to guarantee security without compromising the rule of law. Many of the simple solutions propagated by Bolsonaro and his supporters during the 2018 campaign lacked any consideration of democratic principles.

In terms of environmental policy, forecasts are currently very difficult. Bolsonaro's electoral rhetoric and ministerial appointments have raised fears that the government will pay little heed to environmental concerns. Even if the new president made a rudimentary commitment to green growth in his appearance at the World Economic Forum in Davos and initially renounced his pledge to withdraw Brazil from the Paris Agreement on Climate Change, everything indicates that over the coming years Bolsonaro will prioritize economic growth and development at the expense of the environment and indigenous people.

Brazil had become a global player under Presidents Cardoso and Lula. Tough under President Rousseff and interim President Temer, the country largely withdrew from this active role. Meanwhile, President Bolsonaro adopted an anti-multilateralism and anti-globalization rhetoric during the presidential campaign. It is to be hoped that these tendencies will not gain the upper hand in the new government, because that would lead Brazil to abandon its role as a credible regional power, willing to shape global developments.