

Brazil Scenario

MARCH 17, 2023

- Political alignment: A delicate relationship between Congress and the Presidency
- Bolsonaro investigated about undeclared jewelry
- Two months after January 8 attacks: New arrests and political impact

POLITICS

Political alignment: A delicate relationship between Congress and the Presidency

Newly elected representatives and senators took office at the beginning of February. Arthur Lira (PP/AL) for the House of Representatives and Rodrigo Pacheco (PSD/MG) for the Senate were both reelected as speakers — leaders of their respective congresses — with support from President Lula. Both Lira and Pacheco, before the elections, were very close to President Lula, mapping parliamentarians who could show resistance to the Lula government in Congress. The idea is to intensify meetings with these deputies and senators to facilitate governance and approve agendas of interest to the new federal management, including the provisional measures edited by the president.

Despite this scenario, Lira has been stating that the government's support base would not have enough votes to approve projects of interest to the Executive. In recent months Lula has been trying to gain a base by distributing positions in ministries to parties with a strong political seat, such as União Brasil (59 deputies and 9 senators) and MDB (42 deputies and 10 senators), with the aim of expanding his support base.

However, Lula's concession of ministries to other parties has been upsetting his allied base. One case is the maintenance of the Minister of Communications, Juscelino Filho, affiliated with União Brasil, who was accused of using an official airplane for personal purposes. In order to maintain a support base and gain approval for projects, Lula decided to keep him in the government in response to pressure exerted by the parties.

Despite those movements, it remains unclear how this relationship will develop, considering the selection of leaders of the House standing committees last January 15. One of the Executive Branch's biggest concerns was the presidency of the Constitution and Justice Committee Commission (CCJC), responsible for checking the constitutionality of all bills. Rui Falcão (PT/SP) was selected as its leader, which will make it easier for Lula's administration to maneuver politically to secure approval for proposals on the agenda. In this scenario, it is important for the Executive to be able to count on parliamentarians from its base in leadership positions — such as Rui Falcão (PT/SP) leading the CCJC — since the relationship between the federal government and Congress will be tested, with a government leaning center-left and a Congress seen as more reformist and liberal.

Bolsonaro investigated about undeclared jewelry

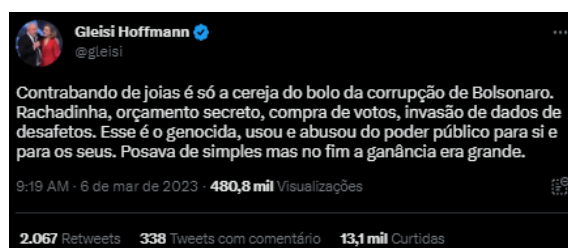
Former President Jair Bolsonaro has been accused of trying to illegally bring into Brazil jewelry items valued at BRL 16.5 million. The pieces of jewelry were a gift from the Saudi royal family to the then-President Bolsonaro and his first lady, Michelle Bolsonaro.

The jewels were given to the Brazilian entourage in October 2021, when Bolsonaro's team made an official trip to Saudi Arabia. At that time, the Federal Revenue inspectors seized the jewels for exceeding the allowed value of entry and for omission of the items. At the end of 2022, an assessor of Bento Albuquerque, the former Minister of Mines, tried to bring the pieces to Brazil. Afterward, the former President tried to get the jewels back on more than one occasion through the Ministry of Mines and Energy, the Ministry of Foreign Affairs, and the Ministry of Economy.

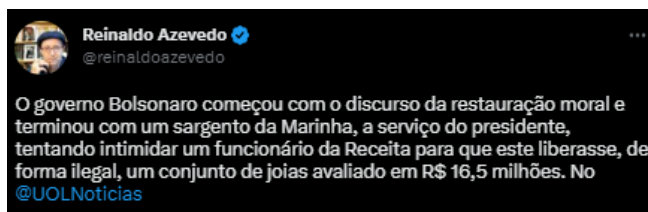
In addition to the jewelry, a box of gifts that included other luxury items valued at BRL 53,000 was brought to the family's personal archive. At the time, the Ethics Commission of the presidency said that there was no conflict of interest. The perspective of other bodies is different, however, and the case is now being investigated, following alleged crimes such as misuse of the facilities of office and embezzlement. The situation may undermine the political strength of the Bolsonaro family, considering that after this scandal Jair Bolsonaro had to postpone his return from the United States.

Social Media Repercussions

On Twitter, the expensive gift drew criticism from left-wing politicians and influencers. They commented on Bolsonaro's previous stance on corruption and crimes such as embezzlement and the many crimes that he and his family are now accused of. The scandal is a focal point for members of the government, its supporters, and critics of Bolsonaro. It steals attention from negative topics for the current Lula government, such as the economy, the CPI for the January 8 invasion, and other sensitive questions.



Jewelry smuggling is just the icing on the cake of Bolsonaro's corruption. Embezzlement, secret budget, vote buying, illegally accessing his rivals' data. This is the genocidal, he used and abused public power for himself and his kin. He pretended to be a simple man, but in the end his greed was bigger.



The Bolsonaro government began with a speech of moral restoration and ended with a Navy sergeant, at the service of the president, trying to muscle a Customs official so that he would illegally release a set of jewelry valued at R\$ 16.5 million. Learn more on @UOLNoticias

Right-wing media outlets and influencers, on the other hand, avoided the topic, sticking to posts praising transphobic comments made by a representative on March 8, supporting the installment of a CPI for the January 8 invasion, and other questions that generate engagement with their bases. The few posts about the jewels were brief and reproduced the allegations made by Jair Bolsonaro and members of the former government that the gifts were regularly declared to customs and were treated according to Brazilian law.

The scandal generated a peak in Google searches linking terms such as “joias” (*jewels*, in Portuguese) and “diamantes” (*diamonds*) to Bolsonaro and Michelle’s names. The scandal will probably remain a hot topic during the next weeks — and possibly months — as the investigations proceed and new information comes to light. Considering the difficult situation faced by the government and its delicate relationship with the Congress, it is possible that members of the government and its supporters might exploit the case further.



Documents confirm that the Bolsonaro Administration stated to Customs that the jewelry would go to the presidential collection

Two months after the January 8 attacks: New arrests and political impact

Two months after the attacks on the buildings of the three branches of government in Brasília, new suspects from the states of São Paulo, Paraná, and Minas Gerais were arrested by “Operation Lesa Pátria,” which is now in its 7th phase.

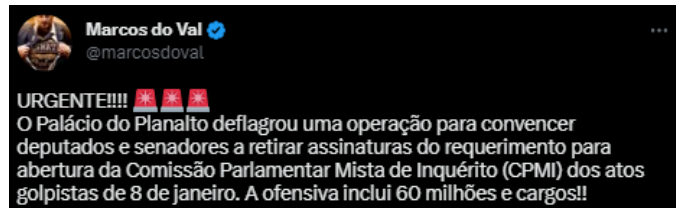
In addition to the arrests, the Operation also seeks to understand who are: (i) the masterminds, financiers, and those responsible for the logistics of the camps and transport to Brasília on January 8; (ii) vandals; and (iii) the authorities that were considered silent.

In parallel to the Operation, some senators who oppose the current government have been in contact with the Minister of the Federal Supreme Court (STF), Alexandre de Moraes, to speed up the processes of the accused who are currently imprisoned. The idea is to release those who were not identified in the accusations to respond freely.

In Congress, senators still intend to install a Parliamentary Commission of Inquiry (CPI) to investigate the acts, addressing the revision of the Anti-Terrorism Law to include “political motivation” as a requirement for the configuration of the crime of terrorism. Behind the scenes, some senators allied with Lula have created obstacles to the formation of the commission because they understand that it could negatively affect authorities of the current administration.

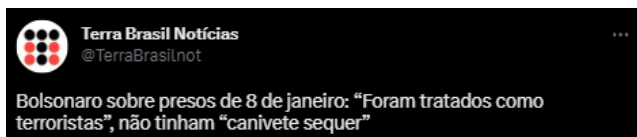
Social Media Repercussions

On Twitter, the issue remains a polarizing topic. Senators and representatives from the opposition are pushing to install a Parliamentary Commission of Inquiry and are taking the push to social media, exposing the parliamentarians who do not support the installment of the CPI and also accusing the government of bribing parliamentarians to withdraw their support of installment of the CPI.

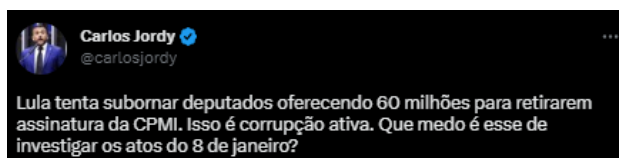


BREAKING NEWS!!!

The presidential cabinet launched an operation to convince representatives and senators to withdraw signatures from the request for the installment of the Joint Parliamentary Commission of Inquiry (CPMI) into the coup attempt of January 8. The offensive includes 60 million [reais] and positions!!



Bolsonaro on January 8 prisoners: “They were treated like terrorists”, they didn’t have “even a penknife”



Lula tries to bribe representatives by offering 60 million to revoke their support to the installment of the CPMI. This is corruption. What do they fear of the investigation of the acts of January 8th?

The CPI became a rallying cry for the opposition and Bolsonaro’s supporters. The current government (and its supporters) seems to be excluded from the topic. Media outlets and influencers aligned with the far-right keep criticizing the imprisonment of rioters, stating that innocent people were unjustly arrested.

ECONOMY

Economic growth (GPD)

The Brazilian Institute of Geography and Statistics (IBGE) reported that GDP fell by 0.2% in the fourth quarter of 2022. GDP grew by 2.9% year over year. According to the Ministry of Finance, the slowdown of economic activity reflects the reduced liquidity and the contractionary monetary policy implemented. The increase in interest rates and in default made it difficult to take credit and finance productive investments, leading to the retraction. The result also portends a more modest growth for 2023.

Interest rates

Following the release of the GDP data, President Lula criticized the Brazilian Central Bank again and reaffirmed that there is no explanation for the Selic rate, Brazil's basic interest rate, to be at 13.75%. According to Lula, "there is no excess consumption" and "no consumer inflation" in the country. Despite the pressure the government has exerted on the Central Bank over the last several weeks, the environment of fiscal uncertainty and the rumors about an eventual change in inflation targets have made economic analysts skeptical of a cut in interest rates later this year.

Inflation

According to the last Focus Report consolidated by the Brazilian Central Bank, the country's expected inflation for 2023 is 5.9%. It was the first time in 11 weeks that the financial market didn't raise inflation projections. Despite having interrupted the sequence of high inflation forecasts, the number is still above the target ceiling, which for this year was established at 4.75%.

Fiscal Policy

Economic analysts say that a set of new expenses already on the government's radar can make it more difficult to define the new Brazilian fiscal policy. At the end of February, President Lula decided to raise the minimum wage from the current BRL 1.302 to BRL 1.320, ensuring a gain of 2.8% on the real wage value. It is the biggest increase in the real wage value since 2012.

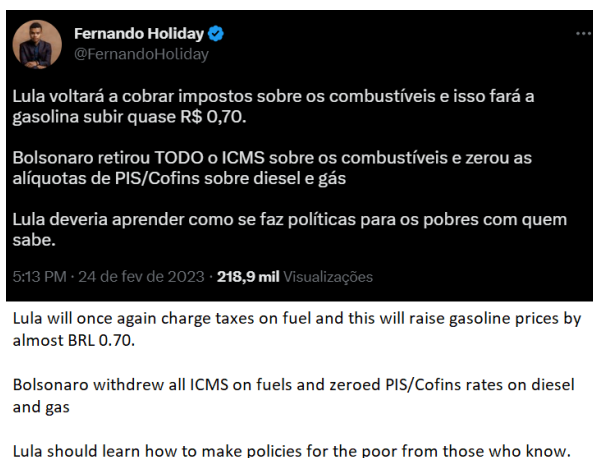
More recently, the Minister of Finance, Fernando Haddad, affirmed that the government will launch a program aimed at refinancing consumer debt with government guarantees. According to the Minister, the program's guarantee fund will have about BRL 10 billion, an amount to renegotiate BRL 50 billion in debt from 37 million individuals.

In addition, there is still the discussion on tax reform. A working group created to discuss the reform began meeting on February 27, and is being coordinated by the representative Reginaldo Lopes from Lula's party (PT). On the group's agenda are public hearings focused on regional debates with the states and an official mission to the OECD. The group will conclude its work on May 16.

The new fiscal framework is expected to be discussed with the Congress and is seen as crucial for the beginning of the process of reducing interest rates and the fiscal uncertainty in the country.

Social Media Repercussion

Members of the opposition took to Twitter to criticize the gain of 2.8% on the real wage value, seen as too small, as well as the recent changes on taxes, claiming that the current PT Administration is placing the burden on poorer Brazilians. Taxes on fuel are a very relevant topic for Brazilians and the high prices of fuels during the Dilma administration were one of the factors that played a role in the political crisis that led to the 2016 impeachment. Former President Jair Bolsonaro also denounced the changes to the taxes, claiming that the increase in taxation would lead to a general price rise:

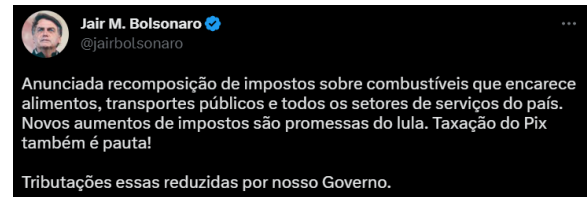


Members of the government, including VP Geraldo Alckmin, supported the measures publicly and also amplified Lula's criticism of Brazil's exchange rate. The VP highlighted the increase in the minimal wage real value as a campaign promise.

The issue will probably be in the social media spotlight for a long time. It is a sensitive issue to PT's electors and to the impoverished Brazilian population, as well as an important topic to right-wing politicians and influencers. Politicians and influencers who identify themselves with former President Jair Bolsonaro (or are perceived as such) will exploit the subject as a way to stay relevant and generate engagement.

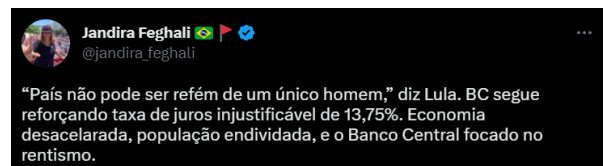


A real increase in the minimum wage and an increase in income tax exemptions are two promises made since the electoral campaign.



The recomposition of fuel taxes was just announced. It increases the cost of food, public transport and all service sectors in the country. New tax increases are promises from Lula as well as the Pix [electronic wire transfer] taxation!

Those taxes were reduced by our Government.



"The country cannot be hostage to a single man," says Lula. BC continues to reinforce the unjustifiable interest rate of 13.75%. Slow economy, indebted population, and the Central Bank focusing on people who live off income from investments.