

Brazil's ruling circles fear international "isolation"

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US Vice-President Mike Pence's Latin American tour last month provoked an anxious reaction within Brazilian ruling circles, as the country was left off the itinerary, which included meetings with the governments of Peru, Argentina, Chile and Colombia. It marked the second time in two years that Washington has sidelined Latin America's largest country in this fashion, with Barack Obama excluding it from his own tour of the continent in 2016.

Concerns within the Brazilian ruling class over the country's geopolitical position are fueled by the country's deepening political and economic instability amid the worst economic crisis in a century, as well as by the increasingly vicious palace intrigues and internecine warfare within the highest echelons of the state apparatus headed by President Michel Temer.

This disquiet found clear expression in an August 22 report by the financial daily *Valor Econômico* titled "Under Temer, Brazil suffers from international isolation." The piece noted that before Pence, German Chancellor Angela Merkel, French President François Hollande, and Canadian and Israeli Prime Ministers Justin Trudeau and Benjamin Netanyahu had all bypassed the country in their Latin American tours as well.

The report included statements by cabinet officials that the government is preparing a "diplomatic offensive" to break the "isolation," with the Temer administration unveiling the next day a huge internationally oriented privatization package that includes placing pivotal airports, the country's largest energy producer, Eletrobras, and even the highly prized national mint on the auction block.

The announcement drove up the value of Eletrobras stock by 50 percent in a single day, and São Paulo's stock exchange rose to the highest level since January 2011, at the height of the commodity boom that guaranteed the stability of the Workers Party (PT) rule that preceded the

impeachment of President Dilma Rousseff and the advent of Temer's government.

The timing of the announcement was meant to precede Temer's seven-day state visit to China that began on August 29, in which the Brazilian president and other officials are soliciting investors for the 57 public companies slated to be sold off. China is already owner of the second largest energy producer in Brazil, a subsidiary of the Three Gorges Dam power station corporation, and in the first days of Temer's visit, an agreement was reached with Chinese investors to complete the construction of the Angra 3 nuclear power plant outside Rio de Janeiro.

Also on August 22, the executive announced the end of the state monopoly over mining in the mineral- and rare-earth-rich Amazon region, as part of a plan announced in July to increase mining participation in Brazil's GDP from 4 to 6 percent. Although open for international exploration bids, opening up the area would most certainly serve the interests of China, which already accounts for the bulk of the demand for Brazilian mining. Although the end of the state monopoly was struck down in federal court on August 28, and the presidential decree was withdrawn on August 31 in order to be rewritten after public outcry and opposition from within the cabinet, the procurement of foreign investment in the country's mining remains central to the government's current economic strategy.

Also as part of the "diplomatic offensive" to counter "isolation," as well on August 22, the government announced that it would welcome "with open arms" Venezuela's former attorney general, Luisa Ortega Diaz, who has fallen out with the Maduro government and is now exiled in Colombia, should she seek asylum in Brazil. At the end of August, Ortega attended a meeting of Mercosur attorney generals in the capital of Brasília, where she denounced the Maduro government for

corruption involving multimillion-dollar bribes and kickbacks in connection with projects by the Brazilian construction contracting giant, Odebrecht.

The courting of Ortega Diaz appears designed to curry favor with US imperialism, which has lionized the attorney general as part of its drive for regime change in Venezuela.

Valor Econômico also reported on August 30 that country's Environment Ministry has alerted the Foreign Ministry that oil extraction at the Amazon might interfere with Venezuelan territory, and Brazil is set to conduct unprecedented war games with Peru, Colombia—both governed by right-wing administrations aligned with Washington—and the US in the Amazon in November.

Such moves, however, inevitably sharpen contradictions surrounding the Brazilian bourgeoisie's reliance on Chinese investments and imports, amid the increasingly aggressive US "pivot to Latin America." Significantly, one of the demands made during Pence's tour, which was highlighted by Brazilian press, is a complete cutting off of ties with North Korea. Brazil has maintained an embassy in Pyongyang since 2012, complete with a bomb shelter.

Chinese participation in the development of Angra 3 is also set to become a flashpoint. Brazil's largely national nuclear program, currently focused on the development of a nuclear-powered military submarine, is a major target of US imperialism. A diplomatic row erupted over Brasilia's rejection of access by International Atomic Energy Agency (IAEA) inspectors to a uranium enrichment plant near Rio 2004, and science ministers have more than once flirted with extending the country's nuclear program to build a bomb.

The apparently ambiguous international strategy being pursued by Brasilia, no less than the rotten conspiracies within the Brazilian state, is a major symptom of the crisis of confidence gripping ruling circles as reflected in the report by *Valor*.

Despite the self-satisfaction of government officials with the measly 0.2 percent quarterly growth of GDP announced by the country's Statistical and Geographical Institute on September 1, the second in a row after the 1.0 percent growth of the first quarter, the investment rate sunk to 15.6 percent of the GDP, the lowest since current metrics were first used in 1996, at the height of "neoliberal" orthodoxy during Fernando Henrique Cardoso's presidency.

Despite declarations by Planning Minister Dyogo Oliveira in early August that "private investment" should lead economic growth from 2017 on, government officials

admit that the release of 44 billion reais (US\$14 billion) of blocked social security withdrawals for 26 million workers in the first semester was the main factor responsible for recent minimal growth, seconded by record agricultural output due to exceptionally favorable climatic conditions.

Meanwhile, the massive transfer of wealth to the rich sought through the labor "reform" approved by the Brazilian congress has found its reflection in the latest employment figures released with the GDP data. Unemployment still stands at 12.8 percent, but the government is celebrating a drop from 14 percent based on half a million more workers falling out of the labor market and 300,000 more being registered as "self-employed" since the beginning of 2017.

Behind government optimism, however, there is deep distrust in its economic policies, expressed in the open criticism by the country's main papers of the privatization plans, including the end of the Amazonian state mining monopoly.

Particular controversy has erupted over the sale of Eletrobras, seen by pundits as an opportunistic attempt to curb the predicted US\$50 billion deficit in 2017's budget. Significant attention was given by both *Folha de São Paulo* and *O Globo* to a statement by ousted president Dilma Rousseff—who previously was former President Lula's energy minister—that the privatization would put the country's energy supply at risk. Other opinion pieces expressed concern over potential Chinese control over energy, carrying headlines like "Privatizations are good, but are dangerous when only current expenses are accounted for," appearing on August 24 in *Valor Econômico*. *Folha de São Paulo* also worryingly reported on the risk of privatization jacking up energy prices, contradicting rosy predictions by think tanks and the Temer cabinet.



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