

# The Political and Economic Instability of Dilma Rousseff's Second Government in Brazil: Between Impeachment and the Pragmatic Turn

India Quarterly  
72(2) 1–12  
© 2016 Indian Council  
of World Affairs (ICWA)  
SAGE Publications  
sagepub.in/home.nav  
DOI: 10.1177/0974928416637926  
<http://iqq.sagepub.com>  


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## Abstract

This article aims to describe the political and economic tensions experienced by Brazil, six months into the second term of President Dilma Rousseff. It also analyses whether the head of state can be subjected to political trial/impeachment as a result of corruption charges, and attempts to explain the government's strategy to try to get out of the quagmire by means of a pragmatic twist, away from the premises of the electoral campaign.

## Keywords

Brazil, impeachment, corruption, political instability, economic instability, pragmatic turn

## Introduction

During the past 25 years, following the beginning of redemocratisation processes in Latin American countries, there have been repeated disruptions in the normal development of certain democratically elected executive powers,<sup>1</sup> which have resulted in early termination of constitutional mandates for political reasons beyond their control. Before the emergence of such phenomena, different conceptual categories had been proposed in the academia to apprehend a reality that differed from the typical democratic breakdown in the form of a military coup. Concepts like soft knocks or neo-coups (Tokaltian, 2004), which proliferated during the early twenty-first century, have re-emerged in political debates in the recent years (Sader, 2012). The key common characteristic in all these cases is that they represent

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a breakdown of the government-in-office, but not of the democratic system as a whole. On many occasions, social unrest and political isolation against the president are stirred by an elite who had previously supported him/her (Pérez Liñán, 2008). In this sense, the political and institutional crisis experienced by Latin America in recent decades has taken various forms, namely: (a) traditional coups;<sup>2</sup> (b) military uprisings;<sup>3</sup> (c) autcoups;<sup>4</sup> (d) resignation;<sup>5</sup> (e) cases of fraud;<sup>6</sup> and finally, (f) political trial or impeachment.<sup>7</sup>

In relation to the latter, it should be noted that impeachment is a constitutional precept based on the system of separation of powers (checks and balances), which provides the Congress with a means of altering the otherwise fixed term of a presidential mandate. However, it is explicitly provided as an exceptional resource. In the words of Pérez Liñán (2000, p. 68):

[B]y impeachment, I understand all legal processes by which the Congress deliberates to remove the President from office. In Latin America, there are three constitutional models of impeachment: the legislative model—essentially taken from the US Constitution—where the Congress removes the President without relying on other institutions; the judicial model, where Congress authorizes a prosecution that is assessed by the judiciary; and the mixed system, which combines elements of both traditions.

In the particular case of Brazil, at the beginning of President Dilma Rousseff's second term (2015–2019), various sectors of Brazilian institutional life began to request that Rousseff be impeached due to her involvement in the corruption scandal surrounding Petrobras. After 23 years,<sup>8</sup> the topic of impeachment again occupies the institutional agenda of the South American giant. This scandal coincides with a climate of social and political tension (Duran Gil & Cintra Lima, 2015) motivated by Brazil's poor economic performance and a pragmatic twist performed by the president in an attempt to gain political support in the Parliament. In this particular context, this study aims to: first, describe the causes that have led to the current crisis of Rousseff's administration; second, to assess the feasibility of impeachment; and finally, to analyse the consequences of the crisis during the first six months of Rousseff's new government.

## **The Lava Jato Scandal in the Context of Economic Weakness in Brazil**

### *Express Money Laundering Operation (Lava Jato)*

The corruption scandal, which erupted in March 2014, involves a money laundering and diversion scheme involving Petrobras,<sup>9</sup> large companies<sup>10</sup> and several politicians. Since the start of investigations, there have been 28 complaints by the Federal Public Ministry against 128 people (Benites, 2015). One of the first to be incarcerated was Paulo Roberto Costa, Petrobras' former Director of Supply, who was being investigated for irregularities during the purchase of the Pasadena Refining System by Petrobras in 2006.<sup>11</sup> In his statement, Costa said that there was a complex corruption scheme; as part of it, several politicians would have allegedly received a kickback of 3 per cent of the value of each contract signed by the oil company. At least five political parties would have received kickbacks in connection with the signing of contracts. The kickbacks allegedly came from diversion of public resources obtained from over-invoicing the works of the 'Companies Club' or 'Tips Club'; thus, supposedly, construction companies would share tenders in exchange for bribes.<sup>12</sup>

According to available information, the corruption scheme diverted nearly US\$ 4 billion from over-invoiced Petrobras works and contracts. However, despite the fact that the diversion of money and the corruption complaints caused a drop of over 40 per cent in the price of shares during 2014, the largest

loss had to do not with equity, but with reputation: the company fell from first to seventh position as most valuable company in Latin America. In recent years, Petrobras had such a significant growth that it became one of the largest transnational companies in the world, with operations in five continents (Mansilla, 2008). However, the Petrobrao (as some are beginning to call it) led the company to create and distribute a manual, known as the Petrobras Corruption Prevention Programme,<sup>13</sup> in December 2014. In it, the company adheres to the anti-corruption laws, including not only crimes of corruption, typified in the 1940 penal code, but also the August 2013 anti-corruption law (Brasil, 2013), passed in January 2014, which sets out administrative and civil liability for legal persons who commit acts against the public, national or foreign administration. The law<sup>14</sup> defines as harmful, for the public administration, any act that goes against national or foreign public assets, the principles of public administration or international commitments undertaken by Brazil, namely: (a) promising, offering or giving undue advantage to a public official or a third party related to him/her; (b) financing, paying, sponsoring or otherwise subsidising illicit acts provided for in this law; or (c) using them to hide or conceal real interests or the identity of the beneficiaries of committed acts. Additionally, in connection with tenders and contracts: (a) thwarting or forging the competitive nature of the public bidding procedure; (b) preventing, disturbing or forging any act of a public bidding procedure; (c) driving away or attempting to drive way bidders, either through fraud or by offering advantages of any kind; (d) forging public tenders or subsequent contracts; (e) creating, by fraudulent or undue means, a legal person to participate in a public bidding process or enter into an administrative agreement; (f) fraudulently obtaining undue advantage or benefit, such as modifications or extensions of contracts entered into with the public administration, which are not provided for by the call for bids or the corresponding contractual instruments; and (g) manipulating or forging the economic–financial balance of contracts entered into with the public administration.

At the same time, several points can be raised in connection with this political scandal: 1. Two days before the runoff, one of the defendants personally involved Lula and Dilma, declaring that they were both aware of these operations, which motivated condemnation of the president as soon as she assumed. This gave the opponents of the government further arguments for demonstrations.

2. Several leaders and political allies of Rousseff's government are entangled in the scheme.
3. Former Chief of President Lula's staff, José Dirceu, is currently imprisoned for being one of the articulators of the *mensalão*.<sup>15</sup> Dirceu was prosecuted in 2005 and imprisoned in 2013, which means that the Workers Party (PT) was already weakened prior to the outbreak of the scandal.
4. The responsibility of the president and the former president, even if it is never proved that they were aware of the corruption scheme, is huge for facilitating the hierarchical structure of the company.<sup>16</sup>

The authors want to particularly emphasise this last point. To have a majority within the Parliament, the PT needs to come to an agreement with some minor political parties. And these agreements are 'paid' with political positions. This strategy for building power spreads throughout the entire state, from ministries to public companies.

What happened with Petrobras is that those positions were used as a form of personal financing for politicians and their parties...' Petrobras would not be an isolated case, but rather an extreme example of a general way of running the State. This would further aggravate the responsibility of Presidents.' (Mizrahi, 2015)

On the other hand, to discuss current and future challenges for this administration, it must be said that Rousseff has taken political actions not as a result of the Petrobrao, but previously. Following Tible (2015), we can mention that both the federal police and appropriate government agencies (such as the Attorney General and the Comptroller General) have higher degrees of autonomy; that it was the president who ratified the anti-corruption law mentioned earlier; that Petrobras officials involved in

inquiries have been dismissed; that high executives of contractor companies have been imprisoned; and that the Supreme Court is being pressed to conclude the trial regarding the prohibition of political contributions by private companies, among others. It is also worth mentioning that, despite declarations that Rousseff was aware of the operations, two facts remain true: first, that, according to the law, the president may not be impeached for omissions; and second, that she is not currently being prosecuted (and she has not even been included in the list of subjects to be investigated).

Finally, the authors allow themselves a little diversion to reflect about the foregoing. We believe that, regardless of the political oppositions, this case is paradigmatic. Why? Because government corruption is new? Clearly not. Because never before had corruption within the government been proven? Obviously not, as shown by the impeachment of Collor de Mello. Because it was unthinkable to buy political favours? No, since this is not the first government to lose allies in the Parliament. Rather, we believe that this case is paradigmatic because it involves the 'jewel in the Crown': Petrobras. The oil company is the heartland of Brazil, not only economically but also from the strategic, symbolic and political points of view. From a political point of view, we have already mentioned that the firm is the Trojan horse of all developmentalist governments and, as such, the flagship of the PT. Some even suggest that the scandal only emerged now because of the government's commitment to fighting corruption. From a symbolic point of view, at a time when it was stated that Brazil had no oil, the company began finding oil deposits in the sea by starting an offshore exploration policy, and became the first company in the world to drill in deep waters, showing Brazil's scientific and technological competence. The company is a symbol of development and national reaffirmation, since it survived even the most aggressive neo-liberalism, becoming a symbol that a Southern country can be as competitive as the most industrialised. From an economic point of view, Petrobras appears as a point of access to wealth. Most economies revolve around oil and its derivatives. Oil is the world's main source of energy, and Brazil is no exception. Temóteo and Amorim (2015) summarise it very well by saying that, as the largest company in the country, only Petrobras can lead the country into an economic recession (it represents 13 per cent of the gross domestic product [GDP]). Finally, from a strategic point of view, the creation of Petrosal during Lula's government ensures state control over the decision-making process. In this sense, ensuring the Brazilian sovereignty over pre-salt mega fields and its territorial waters is the country's biggest geopolitical challenge, particularly considering that some countries do not recognise the 200 nautical miles boundaries (Kerr de Oliveira, Pereira Brites, & Coelho Jaeger, 2013).

At the same time, similarly to other progressive experiences in Latin America during the twenty-first century (the case of President Bachelet in Chile being the most recent), corruption scandals do not arise spontaneously or by chance. As we have noted, these issues are generally endemic to the administration of Latin American states and all over the world. It is no coincidence that the first complaints about the involvement of the Brazilian executive have been in the election year, and their biggest boom at the beginning of Rousseff's second term, is a context of relative weakness for the president, given the runoff. In that sense, corruption incidents are often used by power groups (political, economic, media) as a means of exerting pressure to influence the political agenda, disrupting policy reforms and rerouting public debate. This does not waive the criminal responsibility of accused officials or the political responsibility of the government-in-office, but it helps to understand that political interests and struggles underlie the judicial investigation.

### *Fiscal Crisis and Economic Slowdown*

According to the Brazilian Institute of Geography and Statistics (IBGE),<sup>17</sup> it is considered that a country has entered into recession when it has negative growth during two consecutive quarters. Last year, Brazil

entered into its first recession since 2008, when the recession was a product of the international financial crisis. At the same time, several studies project that the Brazilian economy will contract by 0.58 per cent, which would represent the largest decline in the past 25 years. Rousseff has already begun to take some measures to try and reverse this situation, but because of the corruption scandal engulfing her government, the Congress may be unwilling to approve fiscal and budgetary practices allegedly needed to revive the ailing economy. The shift Dilma has made, which we will discuss later, would be in response to critics stating that the economic slowdown is the product of her 'left policies'. However, such critics fail to remember that it was these very 'diabolical' policies which, during Lula's government, allowed the Brazilian economy to grow by an average of 4 per cent.<sup>18</sup>

Another interesting fact is that the government seems to blame their economic misfortunes on external circumstances. However, according to a research by Serrano and Summa (2013), this is clearly not the case. While it is true that the global economy suffered a slowdown between 2010 and 2011 and that, obviously, this impacted negatively on international trade—which, in turn, affected Brazilian exports—this is not a significant factor in the Brazilian balance of payments as a whole: 'The problem is that exports have a very small weight on Brazilian aggregate demand...which makes it very difficult to explain a deceleration in the Brazilian economy only from this transmission channel' (Serrano & Summa, 2013, p. 4). Another external variable that could have affected the domestic economy is the capital account of the balance of payments; however, the balance is positive in this case. Finally, international liquidity could have been impaired by the removal of credits or the increase of debt, but this was not the case. Based on the above, we can say that the economic slowdown started—and continues—for internal rather than external reasons.

As stated by Serrano and Summa (2013, p. 28), 'An analysis of the data of the Brazilian economy reveals that internal macroeconomic policy, both monetary and fiscal, were largely responsible for the heavy slowdown in the growth of the product of Brazil starting in 2011.' However, noting the relative importance of internal over external factors for explaining the problems of the Brazilian economy is not denying that it has been affected by the drop in the global demand of commodities (driven by the decline in Chinese growth) and the resulting fall in international prices. At the same time, there has been a decline in investments (both portfolio investments and foreign direct investment [FDI]) that had previously targeted emerging markets. It must be noted that the strong growth/development of the Brazilian economy during the first decade of the twenty-first century was largely driven by the inflow of foreign currency from the primary sector, owing to high international prices of certain commodities (particularly soy and iron ore), and financial dollars that saw an opportunity—in a world of negative rates—in the Brazilian macroeconomic scheme, backed by a reappraised currency and high interest rates. However, both the improvement in trading conditions and the preference of investors for emerging markets started to reverse a few years ago, a trend that has only steepened in the last years.

Thus, despite the fact that Dilma's broader twist—which we can call ideological—became clear after the start of her second term as the President of the Republic, some macroeconomic measures began to be taken during her first term. The specific measures that were implemented are out of the scope of this work, but we will simply say that they failed. The above-mentioned authors identify three objectives which Rousseff's government had during her first term: to reduce the country risk, for which a fiscal adjustment was implemented; to reduce inflation (by reducing the demand growth); and to change the growth pattern (increasing investment and reducing consumption). The country risk increased, inflation rose and the investment rate (both public and private) shrank.

As a result, Dilma began her second term in the aftermath of a bad 2014: rising inflation rates (even greater than the established goal of 4.5 per cent with a tolerance of plus or minus 2 per cent); reduced exports; increased deficit on the capital account—to balance the deficit of the balance of

payments, capital flow was increased through higher inflow of loans and bonds; lower tax revenue; decreased activity levels, particularly industrial activity—mainly in the manufacturing and construction industries—increased net debt of the public sector (in a counter-cyclical effort, the government increased social spending and public investment); exchange rate volatility; significant reduction of investments; and positive private consumption rate, but lower than in the previous year (ECLAC, 2014). If we consider these data in addition to the corruption scandal that has paralysed not only Petrobras but several construction companies—all the big players of the South American giant—it is not surprising that the president is trying different ways out of this situation.

## The Feasibility of the Impeachment of President Rousseff

Brazil is a mixed system which, according to Pérez Liñán (2000), differentiates between common crimes, which are judged by the Supreme Court, and crimes committed in an official capacity, which are judged by the Senate. In both cases, the Lower House plays the role of accuser. In the case of Dilma, the impeachment would be accusing her of a crime committed in an official capacity, also known as malfeasance in office. Malfeasance in office, described in Law 1.079 (1950), are acts committed by the president against the constitution, particularly against: the existence of the Union, the free exercise of the judiciary powers, the legislative power and the constitutional powers of the states; the exercise of political, individual and social rights; the internal security of the country; the integrity of the administration; the budget law; the protection and legal use of the reserves; and compliance with judicial decisions. This law also 'regulates' the impeachment process. As regards the accusation, any citizen can make an accusation of malfeasance in office while the defendant is still in office. The accuser must submit the accusation, accompanied by evidence, before the Chamber of Deputies, whose president shall decide, within 10 days, if the accusation is admissible for deliberation. If the accusation is formalised, it shall be analysed by all members and will proceed with the approval of two-thirds of the Chamber. At this point, the president is removed from office to await trial. Once approved by the Deputies, the process advances to the Senate, which will decide on a date for the trial, to be chaired by the President of the Supreme Court. After verbal debates from both parties, the Senators will vote, and their decision will also require two-thirds majority of the Chamber. If the defendant is convicted, the Senate shall determine a period of disqualification for the exercise of any public function and, ipso facto, the defendant will be ousted from office. If the impeachment takes place, the vice president shall take over and, if he/she is also removed from office, the solution will depend on the date on which they are removed from office: if this happens before the end of the second year of mandate, there will be direct elections within 90 days; if it happens after the second year, there will be indirect elections with parliamentary vote; and if elections do not take place, the president of the Chamber of Deputies shall take over.

In the particular case of Dilma Rousseff, none of the foregoing has yet happened. The political party, Solidariedade, is collecting signatures for the following petition: We, Brazilian citizens, declare ourselves in favour of the impeachment of the President of the Republic, Dilma Rousseff, because of the damage caused to public property, estimated at 800 million dollars, for the acquisition of the Pasadena refinery, in the United States, while she was the President of the Administrative Council of Petrobras, in addition to being guilty of culpable omission and not having taken measures against the scandals and various abuses in Petrobras that have been revealed by recent investigations.

Nevertheless, as can be seen, malfeasance in office is not mentioned at any point, in light of which the request for impeachment is not legally granted. Nor, according to the newspaper *Folha de S. Paulo*

(2015), could Dilma suffer impeachment in case of any evidence of a crime committed during her first term, or while she was the Minister of Mines and Energy for Lula's government, which would also invalidate this type of punishment for damages associated with Pasadena or omissions in the event of corruption at Petrobras. In this respect, Article 86 of the Constitution says that the President of the Republic, during the term of his/her mandate, may not be liable for acts outside the exercise of their functions.

Despite all the above-mentioned clarifications, the subject of impeachment is still 'advancing' and still appears as a real possibility in academic and social debate. But what caused this situation? What measures or attitude did Dilma take towards these accusations? Could it be said that the scandals marked a Copernican twist on her second term? All of the above-mentioned evidences, that is, the existence of a political crisis which, coupled with an economic slowdown and a fiscal crisis, has motivated the social uprisings shaking the country.<sup>19</sup> This situation, according to Oppenheimer (2015), will have an impact on the entire region. On the economic side, being the largest economy in Latin America, the drop in imports will affect neighbouring countries, for which Brazil's economy is a major trading partner. On the political side, Dilma's already low involvement in regional affairs will have a relapse, which is likely to be a problem since, in recent years, Brazil has been a balancing force in a number of conflicts.

## **A Defensive Strategy towards the Crisis: The Political-Ideological Turn of Rousseff's Government**

Dilma Rousseff's re-election in October 2014 appeased the progressive forces of Latin America that feared a return of liberal/conservative sectors to the political life of the South American giant. Dilma's re-election<sup>20</sup> was interpreted as a consolidation of the hegemony of the (moderate) left ruling Brazil since 2003, and the continuity of a key bastion of the so-called 'left turn', which part of region took since the first decade of the twenty-first century. However, the political reality of Brazil is far from reflecting such situation.

Regardless of the triumph of the PT, the ideas that are regaining momentum around how to get out of the political and economic impasse currently affecting Brazil come from the 'post neo-liberal' cookbook (meaning the return of the liberal ideology after the decline of the neo-liberal experiences in many Latin American countries). It should be noted that, since its inception, the coalition led by the PT<sup>21</sup> had managed to articulate a reformist project combining orthodox macroeconomics with a set of active policies (strong role of the state) to achieve a redistribution of wealth and benefit the historically neglected sectors of Brazil. This government programme, propped up by the personal charisma of Luiz Inacio Lula da Silva and a favourable economic context, was able to articulate the demands of the 'base PT' with the interests of the major economic sectors. However, starting in 2013—in the context of a stagnant economy and the increasing demands of the new middle class, whose demonstrations stained public space—the 'Lulista model' vanished into thin air, as a result of the above-mentioned corruption and President Rousseff's lack of charisma.

The fact we want to highlight is that, even as Rousseff's government was nearing its end, much of the economic establishment (financial, industrial and agribusiness) supported the policies taken by the coalition led by the PT. The project initiated by Lula was functional to the interests of traditionally excluded sectors, media sectors and economic elites, who benefited from a development strategy called 'heterodox neodevelopmentalism' (Actis, 2011). However, 2013 began to reveal certain flaws in the strategy and the impossibility of perpetuating it in time. Thus, from a variable-sum game where all stakeholders felt included, Dilma's government transitioned into a zero-sum game where the interests of different

stakeholders often appeared as competing. As usually occurs when expansive economic cycles come to an end, the political dilemma is how to implement the adjustment and who will bear the brunt of it.

After the start of her second term, Dilma Rousseff faced a political and economic quagmire—focused on the corruption incidents—which was unprecedented in the PT's short experience in power. At this particular crossroads, the president had two possible paths: to defend the traditional flags of the PT by polarising with the opposition block; or to seek the path of consensus with the opposition and major economic groups by agreeing to implement their demands and programmes. The latter path was chosen. Thus, the axis of public debate shifted from being associated with the demands and claims of 'progressivism' to being dominated by liberal concepts and assumptions. In other words, Rousseff's government decided to endorse the demands of the opposition to try and get greater agreement with her policies rather than retreating into the hard core of the PT.

One of the reasons that explains the 'ideological turn' is related to the consequences of the emergence of the phenomenon of corruption in the spotlight of public debate. This scandal not only brought down the president's popularity ratings<sup>22</sup> but also began to wear down the coalition government. It should be noted that of the 294 seats (out of a total of 513) the coalition government holds in the Lower House after the 2014 elections, only 70 are from the PT. Traditional ally and main partner of the PT, the 'chameleon-like' Brazilian Democratic Movement Party (PMDB)—which won 66 seats—is a power-hungry party without a clear ideology, whose main objective has been to remain in power. In that sense, one of Rousseff's central concerns for their survival has been to avoid the rupture of the coalition by granting concessions. As Carlos Lupi, Chairman of the Democratic Labour Party (PDT), recently stated: 'We do not want to be like rats, leaving the boat when it starts to sink. But neither do we want to be like the captain of the Titanic, who remained on the ship until it sank.'<sup>23</sup> For example, the most emblematic case was Rousseff's decision to transfer the powers of political articulation of the government to the Vice President, Michel Temer of the PMDB, a clear sign of empowerment of his figure and the party he represents.<sup>24</sup> Currently, the PMDB is one of the advocates of the need for a strong adjustment in the economy.

The adoption of 'post neo-liberal' ideas on Rousseff's second term has been seen both in her rhetoric and actions. To give some examples: the idea of 'active social policies' gave way to 'public spending efficiency'; from pondering the 'strengthening of workers' rights' to discussing 'labour outsourcing'; from celebrating the 'leading role of the National Bank of Economic and Social Development (BNDES)' to requiring 'private financing for the economy'; and from feeling 'proud of state-owned Petrobras' to demanding the company not to have any interference with the government. The debate over outsourcing seems untimely for the political climate being experienced by Brazil. The approval of this project in the Chamber of Deputies (with 230 votes in favour and 203 against) is a clear indicator that the Brazilian political climate and agenda is dominated by the liberal/conservative sectors. The initiative was supported by the PMDB, but not by PT legislators. While former President Lula, after a meeting with union leaders, urged to veto the law, it is still unclear what will be Rousseff's decision if the bill is passed by the Senate. In this context, the head of the Planalto faces the dilemma of either confronting big businesses and her main political ally or harm workers, the historical basis of her government. As expected, even though the adopted strategy succeeded in containing the government coalition and appeasing the pressures of the opposition and the main economic agents—which seems to have given the government some oxygen and driven away the ghost of impeachment—it negatively affected the PT, given the implementation of a strong set of orthodox measures that has begun to harm many of the social gains achieved since 2003. The strategy of the Minister of Economy, Joaquim Levy,<sup>25</sup> nicknamed 'Scissorhands' after his spending cuts policy, implies a contradiction, according to economist Felipe

Queiroz: ‘It is the biggest adjustment in the PT era. We need to go back to growing but, instead of investing more, he cuts. The social impact could be huge.’<sup>26</sup>

In that sense, the freezing of resources announced in the last months affects the projects of the Growth Acceleration Programme (PAC) and the popular housing plan, ‘Minha Casa Minha Vida’, which suffered cuts of US\$ 8,000 million and US\$ 2,000 million, respectively. At the same time, at the ministry level, portfolios that were the most affected by cuts were cities, health, education and transportation, all of which relate to the interests of the most vulnerable sectors. As noted by Vagner Freitas, head of the Central Union of Workers—trade union unit created by former President Lula da Silva: ‘Rousseff’s economic agenda is the same as that of the candidate of the right we defeated at the ballot box in October.’<sup>27</sup> In late May 2015, a massive demonstration of industrial, oil and banking workers, as well as teachers and students, gathered in the city of São Paulo to question the direction adopted by the Brazilian president. Many of the sectors that backed Rousseff’s candidacy in previous elections feel ‘betrayed’ by Dilma. For this reason, criticism is growing inside the bosom of the PT, and the crisis has begun to harm the image of Lula da Silva,<sup>28</sup> the main card which the ruling party has to use to remain in power after 2019. Although he has shown his support for Rousseff, the former president has publicly stated some disagreements with the adopted policies. He is fully aware that, unless Rousseff’s image can recover, the political project that began in 2003 may be at risk.

## Final Thoughts

The first six months of Dilma Rousseff’s government have been marked by the deepening of the retraction in the economy and an unexpected political instability, which together explain the decline in the popularity of the head of state. With regard to the first point, Brazil is one of the emerging powers which, along with Russia, has suffered the most from the new international economic situation—a drop in the prices of commodities and redirection of capital flows—in the context of major macroeconomic imbalances. Meanwhile, in connection with the second point, we should note that the corruption scandal has driven the president’s reputation even lower, while simultaneously exposing one of the most important companies of the state, Petrobras. This has resulted in a process of social condemnation and has provided arguments to the opponents of the government, who had already gained strength from other issues listed in the body of this article. However, and regardless of the demonstrations, the authors think that both the current and former presidents can only be accused of having supplied an irregular structure of power from the distribution of positions. In this sense, impeachment is both unfair and illegal. In this complex and adverse scenario, the economic and political strategy chosen by Dilma Rousseff to cope with the current crisis experienced by Brazil has been to walk away from recipes sustained during the electoral campaign and much of the ideological matrix of her governing party. However, since 2003, the governments of the PT—which may not be enclosed within a Latin American left with radical stances—had never carried out a disruptive strategy, and recently implemented policies mark a ‘pragmatic’ transfer as a defensive and pragmatic mechanism in view of more than three years in office ahead. Adopting many of the claims of the opposition and maintaining the alliance with the PMDB has driven away the risk of early termination of Dilma Rousseff’s constitutional mandate. However, thinking about the future of the PT, the social implications of the current ‘pragmatic turn’, the contradiction with the foundations of the party and the consequent erosion of their main leaders may condition the electoral aspirations of the political project, which currently seems to be going through an identity crisis. If the results of Dilma Rousseff’s current strategy fail to support the historical social base of the PT and

the new middle classes, the fragile ‘guarantee’ that Rousseff seems to have obtained will be the ‘mortgage’ for the political future of progressivism in Brazil.

## Notes

1. For more information about constitutional interruptions or so-called ‘soft coup’ in Latin America, see Pignatta (2013).
2. Haiti (1991–1994), Ecuador (2000), Venezuela (2002), Honduras (2009).
3. Venezuela (1992), Paraguay (1996, 2000).
4. Peru (1992), Guatemala (1993).
5. Paraguay (1999), Bolivia (2003, 2005), Haiti (2004), Argentina (2001).
6. Dominican Republic (1994), Peru (2000), Haiti (2001).
7. Brazil (1992), Venezuela (1993), Ecuador (1997, 2000, 2005).
8. In mid-1992, the Brazilian Congress approved the start of a criminal trial of Collor de Mello by 441 votes in favour and 28 against, charging him with crimes such as trafficking of perquisites, illegal contracts and diversion of funds. In September 1992, Collor left the presidency due to the deepening of the research, as the Brazilian Parliament continued its investigations. On the last day of the procedure, on 29 December 1992, Collor de Mello sent his assistant to the Brazilian Senate to read the resignation letter which left his Vice President, Itamar Franco, as the new head of state.
9. It should be recalled that the oil company comes as part of the Brazilian empowerment during the government of Vargas in the 1930s. Vargas nationalized some key sectors of the economy. Thus, he joined the national heritage of mining codes, water riches and mines, and created the Iron and Steel National Company, Vale do Rio Doce Company, the Alkalis National Company, the National Factory of Engines and the San Francisco Hidro Electric Company, and instituted the National Councils of Water and Electric Power, Mining and Metallurgy and Petroleum (which would be born as Petrobras). It was the president himself who, in 1953, founded the state-owned company, *Petróleo Brasileiro S.A. (Petrobras)*. With this clarification, the authors wish to highlight the importance of the company not only in economic terms but also in political and symbolic terms, in addition to being a symbol of the developmental Workers Party (PT) project (as opposed to the Tucano neo-liberalism).
10. Companies such as Odebrecht, Camargo Corrêa, OAS, UTC and Queiroz Galvão, among others.
11. Costa received \$1.5 million to facilitate the purchase of the refinery at an inflated price. Petrobras bought half of the capital of the refinery by paying \$360 million to the Belgian company Astra Oil, which a year earlier had paid \$42.5 million for the whole plant, and then, by a clause, was forced to buy the other 50 per cent for \$820 million.
12. According to Professor Pedro Henrique Pedreira Campos, already in the period of the military regime (1964–1985) were built several corruption schemes that survive until today.
13. Available at [www.petrobras.com.br](http://www.petrobras.com.br)
14. The authors list those points of law that are directly related to the case which concerns them.
15. The *mensalão* was a network of corruption that diverted funds from state-owned enterprises to pay bribes to politicians from deputy’s opponents aiming to vote favourably to projects submitted by the executive branch.
16. This is possible because while in the 1990s, the company was opened to private investment, becoming a mixed society, according to its statute, the state continues to maintain stock control.
17. Available at <http://www.ibge.gov.br/> (accessed 11 April 2016).
18. It should be recalled that in the last elections, their caucus members lost nearly 20 partners, strengthening the most conservative circles—evangelists, benches of agribusiness and the so-called block of bullet.
19. According to Tible (2015), the will for change was already present from the mobilisations of June 2013, and the same highlighted two main demands: better public services and greater political participation. In the authors’ opinion, the protests were massive due to the increase of middle class that the country had as a direct consequence of social policies implemented by Lula da Silva.
20. It should be remembered that the presidential election of Brazil in 2014 was tightly contested. After a first round where Rousseff failed to reach more than 50 per cent of the votes, a runoff against Aécio Neves, representative

of the Brazilian Social Democracy Party (PSDB), was necessary. In that instance, Rousseff won re-election with just 51.64 per cent of valid votes.

21. Brazilian democracy has been characterized by a model of coalition presidentialism. The coalition government has been formed by the PT and other political parties, the most significant being the Brazilian Democratic Movement Party (PMDB), since 2004–2013. The PMDB (located in the centre of the ideological spectrum) has assured the PT the nominal majority in Congress.  
The PT–PMDB alliance has been the core of a heterogeneous coalition of parties. For a study of how the coalition government evolved under the two terms of President Lula, see Amorim Neto (2013, pp. 98–99).
22. In the first 100 days of government, the popularity of Dilma was just 12 per cent. For more information, see <http://www.abc.es/internacional/20150410/abci-brasil-rousseff-cumple-cien-dias-baja-popularidad-201504101837.html> (accessed 11 April 2016).
23. See <http://www.infobae.com/2015/04/26/1724886-ex-ministro-lula-asegura-que-el-partido-los-trabajadores-robo-demasiado-brasil> (accessed 11 April 2016).
24. See <http://www1.folha.uol.com.br/poder/2015/04/1613387-dilma-pode-transferir-articulacao-politica-para-michel-temer.shtml> (accessed 11 April 2016).
25. The *CartaCapital* magazine, whose publisher has been in tune with PT governments, published an article entitled ‘Joaquim manda’, in which the power granted to the Minister of Finance and the PMDB is questioned. For more information, see <http://www.cartacapital.com.br/revista/844> (accessed 11 April 2016).
26. See <http://www.lanacion.com.ar/1795266-con-la-recesion-al-acecho-dilma-lanza-el-ajuste-mas-drastico-en-la-era-del-pt> (accessed 11 April 2016).
27. See [http://www.clarin.com/mundo/Brasil-ajuste-Dilma\\_Rousseff-tercerizacion\\_0\\_1366063922.html](http://www.clarin.com/mundo/Brasil-ajuste-Dilma_Rousseff-tercerizacion_0_1366063922.html) (accessed 11 April 2016).
28. See <http://www.valor.com.br/politica/4005864/crise-do-governo-dilma-prejudica-imagem-de-lula-diz-datafolha> (accessed 11 April 2016).

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