

The
Economist

**SPECIAL
REPORT:**

Brazil

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On the brink





The captain and his country

Brazil is backsliding. Jair Bolsonaro and covid-19 are but the latest in a decade of disasters, argues Sarah Maslin

ONE DAY in April, as Brazilian hospitals ran out of oxygen and 3,000 people a day were dying from covid-19, Jair Bolsonaro's 64-year-old chief of staff, Luiz Eduardo Ramos, got jabbed. It was his turn but he went in secret. His boss is anti-vaccine. When asked why Brazil was blocking approval for the Pfizer vaccine, the president joked that jabs turn people into crocodiles.

That Mr Ramos, a four-star general who once commanded peacekeeping troops in Haiti, had to sneak off reveals the depths to which Brazil has fallen under Mr Bolsonaro, whose career as an army captain stood out only when he was jailed for insubordination. Mr Ramos confessed his job in a meeting he didn't know was being broadcast. "Like every human being, I want to live," he said.

Before the pandemic, Brazil was suffering from a decade of political and economic ailments. With Mr Bolsonaro as its doctor, it is now in a coma. More than 87,000 Brazilians died from covid-19 in April, the worst monthly death toll in the world at the time. Vaccines are so scarce that people under 60 will not get them until September. And a record 14.4% of workers are unemployed.

Yet on May 1st *bolsonaristas* draped in Brazilian flags took to the streets. Unfazed by a parliamentary commission of inquiry (CPI) into the president's handling of covid-19, they applauded his refusal to wear a mask, his support for hydroxychloroquine and his wish to send the army to obstruct stay-at-home orders. Fans in São Paulo begged for "military intervention". One woman told a visitor that Brazil had never had a civil war. "It's about time," she said.

Swap Portuguese for English and green and yellow for red, white and blue, and the rally could have been in the United States last year. Mr Bolsonaro borrowed heavily from Donald Trump's tactics to win election in 2018: populism, nationalism, chauvinism and fake news. Brazil was traumatised from corruption, recession, worsening public services and violent crime. Brazilians were fed up with politicians who had failed to solve these problems. Mr Bolsonaro channelled their frustration.

He portrayed himself as an outsider even though he had spent 27 years as a backbench congressman, making news only when he said something offensive about women, indigenous people or gays. A fan of the military dictatorship of 1964-85, he often posed with his thumbs and forefingers cocked as if he were shooting a machinegun. Once in office, he aimed it straight at Brazil's democratic institutions.

Good times, bad times

Ten years ago, Mr Bolsonaro's election would have been unthinkable. After the dictatorship Brazil reformed itself. A constitution signed in 1988 created independent institutions. A new currency in 1994 tamed inflation. A commodity boom in the 2000s brought jobs. With cash in their wallets, Brazilians saw their lives improve. Under the presidency of Luiz Inácio Lula da Silva, Brazil joined Russia, India and China in the BRIC bloc of fast-growing emerging economies. It led climate talks and was awarded both the 2014 ▶▶

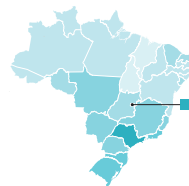
A multi-dimensional country

Brazil



*To May 23rd 2021 †At least one dose
Sources: IBGE; Ministry of Health; TerraBrasilis

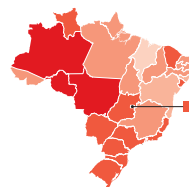
Monthly income per person, 2020, \$



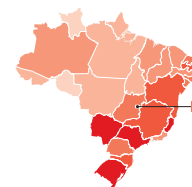
Unemployment, 2020, %



Covid-19 deaths per 100,000 people*



Covid-19 vaccinations per 100 people*†



► football World Cup and the 2016 Olympic games.

Then the commodity boom ended. Protests in 2013 over a rise in bus fares turned into protests aimed at bringing down the left-wing Workers' Party (PT) government. An anti-corruption probe launched in 2014, known as Lava Jato (Car Wash), found that dozens of companies had paid bribes to politicians in exchange for contracts with Petrobras, the state oil firm. The economy crashed after irresponsible spending by Lula's successor, Dilma Rousseff. Bigger, angrier demonstrations led to Ms Rousseff's impeachment in 2016. Her replacement, Michel Temer, was accused of graft and barely escaped impeachment in 2017.

Mr Bolsonaro's election followed these traumas. He had little funding or airtime, but was boosted when he was stabbed while campaigning. Casting himself as Brazil's saviour, he won 55% of the vote. His support was highest in the south and south-east, the richest and whitest regions, and among conservatives like farmers and evangelicals. Millions backed him out of anger at the PT. Mr Bolsonaro seemed to many voters to be the lesser of two evils.

Many pundits said that Brazil's institutions would withstand his authoritarian instincts. So far they have proved right. Although Mr Bolsonaro says it would be easy to carry out a coup, he has not done it. But in a broader sense, the pundits were wrong. His first 29 months in office have shown that Brazil's institutions are not as strong as was thought, and they have weakened under his battering. Cláudio Couto, a political scientist at Fundação Getúlio Vargas, a university in São Paulo, likens them to brakes on a car hurtling down a hill. "If pushed too hard they can fail," he says.

Take the judiciary. Lava Jato seemed the triumph of the decade. Brazilians hoped anti-corruption reforms would usher in cleaner lawmakers who would act for the people not themselves. But some Lava Jato prosecutors and judges had a political agenda. This paved the way for Mr Bolsonaro, in the face of allegations against his sons, to shut down the investigation. Its

Mr Bolsonaro seemed to many voters to be the lesser of two evils

closure helped not only corrupt politicians, but also organised-crime groups.

The economy badly needs reforms to curb the growth of public spending, boost competitiveness and tackle inequality. As a candidate, Mr Bolsonaro briefly professed belief in liberal economics. He hired Paulo Guedes, a free-marketeer educated at the University of Chicago, as economy minister. Then he abandoned both, refusing to back changes that might cost votes. After a pensions revamp in 2019, Mr Guedes's reform agenda stalled. Six of the ten members of his economic "dream team" have quit or been fired.

The pandemic has wiped out all net jobs created since the recession of 2014-16, sending millions of people back into poverty. None of Mr Bolsonaro's four education ministers created a workable distance-learning system. One lasted just five days before he was found to have padded his résumé with fake degrees from Argentina and Germany. Some 35m children have been out of school for 15 months, a drag on social mobility for years to come.

In politics "the promise of renewal was a big lie," says Mr Couto. In 2018 voters kicked out much of the traditional political class. For the first time Congress has more novices than incumbents. A tiny group committed to fiscal responsibility and other reforms offers hope for the future. But most politicians remain gluttons of pork and patronage. After denouncing the system, Mr Bolsonaro joined it to save himself from over 100 impeachment petitions.

He has done most damage to the Amazon rainforest, which in Brazil now emits more carbon than it stores because of climate change and deforestation. The president does not believe in the first and sympathises with those doing the second: loggers, miners and ranchers. He took a chainsaw to the environment ministry, cutting its budget and forcing out competent staff. Reducing deforestation requires firmer policing and investment in economic alternatives. Neither looks likely.

At first covid-19 helped Mr Bolsonaro. Big spending on businesses and the poor distracted from his failure to pass fiscal reforms. His approval ratings briefly hit their highest since he took office. Last July he contracted covid-19 and recovered quickly, as he had promised he would. It seemed that the economy might do the same, paving the way for his re-election in 2022.

Then, in early 2021, Brazil was hit by a second wave with a more infectious variant from the Amazon city of Manaus. As social media filled with images of people in nearby Chile lining up for jobs, gravediggers in Brazil were busy. Mr Bolsonaro continued to rail against lockdowns and vaccines. In a cabinet shake-up he fired the defence minister, who had reportedly refused to pledge his loyalty. The heads of the three armed forces resigned in protest, briefly fuelling rumours of a coup.

It did not happen. Yet this special report argues that Brazil is facing its biggest crisis since the return to democracy in 1985. Its challenges are daunting: economic stagnation, political polarisation, environmental ruin, social regress and a covid-19 nightmare. And it has had to endure a president who is undermining government itself. His cronies have replaced career officials. His decrees have strained checks and balances everywhere. Consider *Diário Oficial da União*, where every legal change is published, says Lilia Schwarcz, a historian. "There is a coup every day." ■

The economy

A dream deferred

After a generation of progress, social mobility is slowing

VINICIUS RABELO'S grandparents were manioc farmers in the interior of Bahia. His parents moved to the city for a better life and, after opening a clothes shop, sent their children to private school. In 2018 Mr Rabelo started as an electrical mechanic in Camaçari, near the state capital, Salvador. Home to a petrochemical plant and a Ford factory, Camaçari had almost doubled in population over his lifetime. More than 40m Brazilians had joined an emerging middle class known as *Classe C*.

By the time he entered the workforce, the country was reeling from a recession that chopped 9% off GDP per head between 2014 and 2016. Unemployment stayed high and hundreds of factories closed. In January Ford said it was leaving. For 5,000 employees and tens of thousands of indirect workers, including Mr Rabelo, whose firm did safety checks, the job loss was compounded by a sense that social mobility had stopped. The 24-year-old, who has trendy glasses and an Apple Watch, now drives for Uber, "like 800 others who got laid off and had the exact same idea".

Under President Fernando Henrique Cardoso in the 1990s, Brazil's Real Plan ended hyperinflation, allowing Brazilians to start saving again. Under Lula in the 2000s, poverty fell by 41% thanks to a commodity boom, social programmes and rises in the minimum wage. The 2010s were meant to continue this progress. Instead it was a decade of bad policies and worse luck.

The PT, in power from 2003 to 2016, failed to build on its gains. Between 2003 and 2012, GDP growth averaged 4%. Informal working shrank and wages climbed. The government built thousands of schools, from crèches to universities. Bolsa Família, a cash-transfer programme, gave poor mothers a basic income. Light for All brought electricity to favelas and rural areas. Millions bought cars and took their first plane rides. Marcelo Neri, an economist, found that rising perceptions of well-being outpaced GDP growth as tangible changes made Brazilians feel better off than they really were. Between 2006 and 2009, Brazil moved up five places on a Gallup ranking of happiness, to 17th among 144 countries.

The optimism proved ephemeral. The PT did not invest enough in areas promising long-term productivity gains, like infrastructure. Despite expanded access to education (85% of pupils completed primary school in 2018, up from 50% in 2000), quality lagged behind. On the latest PISA tests of learning among 15-year-olds, Brazil came 57th out of 79 countries in reading. One analysis estimated that it would take 260 years to reach the OECD average. After 15 months without in-person classes, the outlook is worse. Some 15% of six- to 17-year-olds may have dropped out of school.

"We expected better," says Valterlinda Alves, a professor in Camaçari. For nearly a decade the economy was booming and the mayor, governor and president all came from the PT. But the best jobs at the petrochemical plant still went to workers from Salvador or São Paulo. In 2018 Ms Alves persuaded the Federal University of Bahia to open a campus in Camaçari, aimed at teaching STEM subjects to local students. After budget cuts its future is uncertain. Over the years, unions won pay bumps. Yet the median salary when Ford closed was only 3,800 reais (\$720) a month, three times the minimum wage. "Middle class in Brazil means just scraping by," says Jorge do Nascimento, a foreman.

Worse trouble hit when Lula gave up pro-business reforms and

Ms Rousseff launched an industrial policy redolent of import substitution. The development bank pumped subsidised loans worth up to 9% of GDP a year into favoured firms, while the finance ministry hid a growing deficit. The result was Brazil's worst-ever recession. It overlapped with Lava Jato, which dealt an extra blow in Camaçari, where affected firms like Petrobras and private construction companies employed thousands. Tax breaks worth billions of dollars no longer made up for low productivity and high costs. Ford's exit came after years of losses.

The protests in 2013 demanded even more subsidies. But as unrest continued, Brazilians seemed to conclude that the entire economy needed a revamp. In 2016 Congress impeached Ms Rousseff for breaking budget rules. Mr Temer, her successor, charged ahead with liberal reforms, slashing subsidised lending, creating a constitutional ceiling on spending and passing a labour reform to make contracts more flexible. All the frontrunners in the 2018 election (except for Fernando Haddad, who became the PT candidate after Lula was barred) talked of curbing public spending.

Soon after taking office in 2019, Mr Bolsonaro signed a pensions reform that will save 800bn reais over a decade. Mr Guedes bragged that reforms to simplify the tax code, slim down the public sector and privatise inefficient state firms would follow. Yet the reformist spirit proved fleeting. Mr Bolsonaro is not much of a liberal. His distaste for hard reforms made it easy for Congress to ignore the Guedes agenda.

Victories were smaller: a law opening sanitation to private investment, the sale of oil refineries and subsidiaries of state firms, a measure allowing a freeze of civil-service salaries when mandatory spending exceeds 95% of revenues. A trade deal between the European Union and the Mercosur bloc of South American countries stalled because of Mr Bolsonaro's environmental policies. Growth averaged just 1% a year between 2017 and 2019.

Enter covid-19

Covid-19 put an already troubled economy on life support. Healthcare and stimulus spending pushed public debt to a record 89% of GDP in 2020. Mr Guedes predicted that support to businesses and monthly payments to 68m informal workers would spur a "v-shaped recovery". But although poverty briefly dipped and a drop of GDP in 2020 by 4.1% was not as bad as feared, the second wave shut the economy again. GDP is expected to shrink in the second quarter of this year. Payments to the poor were slashed just as the pandemic worsened. Some 18m more people fell into poverty.

The future looks grim. Just 19% of Brazilians have been vaccinated, making a third wave quite possible. The currency has fallen by 25% against the dollar since covid-19 broke out. Inflation rose to ▶▶

Into the pit

Brazil



► 7% in April. The central bank is raising interest rates for the first time since 2015. A poster campaign in São Paulo decried rising prices of food staples and blamed them on President “Bolsocaro”, a play on the Portuguese words for “pocket” and “expensive”.

Camaçari’s industrial sector sits on the outskirts of town, past tyre shops, big-box stores and the region’s first shopping mall. Its streets are ambitiously named: Benzene, Hydrogen, Oxygen. But its smokestacks are faded and its pipes rusty. The town centre is busier, but people are not buying much. Mothers with children stand in line to find out if they qualify for new emergency payments. One survey found that six out of ten Brazilians have reduced the quantity or quality of food they eat.

The mayor predicts that Ford’s closure will cost 15% of the city’s jobs. Ford employees will lose their private health insurance, which will strain public hospitals. Alan Lima, head of a network of private schools, says his enrolment has dropped from 2,000 to 1,250. “I look at yesterday, I look at today, and it’s starting to seem like yesterday was better than today,” says Ana Paula Luz, a mother of five who used to work on a motor assembly line. Some 65% of Brazilians think the economy will get worse, the highest proportion since the poll began in 1997.

There are glimmers of hope. Agriculture is booming, commodity prices are up again and Camaçari is becoming a logistics hub between Salvador and western Bahia. Mercado Libre, Latin America’s e-commerce giant, has opened a distribution centre nearby. Bahia is Brazil’s top source of wind power and turbines are made in Camaçari, though firms have hired technicians from India. Tourism is growing but cumbersome tax laws, licensing and labour rules make investors “think twice before opening a hotel,” says João Eça, head of a resort run by Tivoli, a Portuguese hotelier, on a beach near Camaçari.

To get back on track, Brazil must deal with old problems. Subsidies to industry and public servants are skewed to the well-off. Tax and labour laws distort or discourage investment. And 94% of the budget is eaten up by mandatory spending adjusted for inflation, leaving less and less for public investment and social programmes. Yet politicians drag their feet. Congress plans to split tax reform into several separate bills. In April it passed a budget exceeding the spending ceiling by 30bn reais, including 49bn reais-worth of pork for congressmen’s home states. Rather than trying to curb wasteful spending, politicians changed the constitution to exclude their projects from the fiscal rules. “Our idea of development continues to be that the state hands over money to build factories and create jobs,” says Marcos Lisboa of Insper, a business school in São Paulo.

Substantial reform is unlikely before the election in 2022. Brazil remains a closed economy, with red tape driving down growth and skewed spending driving up inequality. In 2019 the average income of the richest 1% was 33.7 times that of the poorest 50%, a ratio surpassed only in Qatar. A study by the OECD in 2018 found that it would take a Brazilian family from the poorest 10% of earners nine generations to reach the average income.

The risk is not Argentina-style default or Venezuela-style hyperinflation (most of Brazil’s debt is in its own currency). Instead, it is stagflation, or low growth, high unemployment and rising prices. Brazil is suffering a “confidence collapse”, declares Arminio Fraga, a former central-bank president. He once suggested reforms to save 9% of GDP: 3% from eliminating tax breaks, 3% from narrowing the gap between public- and private-sector pay, 3% from a second pensions reform. Now he says: “We keep looking for short cuts and magic tricks, but we’re not going anywhere until we get the political system in order.” ■

Corruption and crime

Sliding back

Revelations of graft have fuelled anti-establishmentism

IN 1969 A Bahian construction firm called Odebrecht began work on a brutalist building in Rio de Janeiro, which was to be the headquarters of Petrobras. It was an exciting moment: Petrobras had found oil off the coast and Odebrecht would become Brazil’s biggest contractor. But 45 years later came Lava Jato, when scores of businessmen were jailed, including Odebrecht’s boss.

Brazilian corruption has roots in a promiscuous relationship between the state and private firms. The dictatorship was Odebrecht’s chief customer. Norberto Odebrecht, its founder, saw corruption as a cost of doing business. He wrote in a bible for staff that the client is not “the state” or “the government”, but an individual to satisfy by any means necessary. Odebrecht’s “Department of Structured Operations”, better known as the bribes office, kept a list of code names for over 400 politicians and officials.

Many companies had similar practices. Odebrecht “played the game the best,” says Malu Gaspar, author of a book about the firm. The cost rose with the return of democracy, which brought a plethora of smaller parties, raising spending on political campaigns. Firms put up the cash, in under-the-table campaign donations. Odebrecht’s employees saw these as political contributions. “We knew that what we were doing wasn’t right but the feeling was that it was not that wrong,” says a former executive.

Some scandals were investigated, but most “ended in pizza”, as the Brazilian saying goes. Businessmen rarely received more than a fine. Politicians mostly escaped punishment. As the economy grew, so did graft. Shell companies and Swiss bank accounts mushroomed. The PT even helped Odebrecht win contracts abroad. The existence of this scheme was no surprise, says Sérgio Lazzarini, who wrote a book in 2010 about how firms won contracts by donating to political campaigns. “But no one imagined how bad it was.”

Lava Jato started with a money-laundering investigation of a petrol station in Brasília. New tools such as plea-bargaining and exchange of financial information with foreign authorities uncovered the Petrobras scheme. The scandal contributed to Ms Rousseff’s impeachment. The supreme court banned corporate donations to try to reduce the role of money in politics. Congress made it harder for smaller parties to leech off bigger ones.

Seventy-eight Odebrecht employees signed plea bargains, including the boss, Marcelo Odebrecht, who spent 30 months in jail. Their testimony led to charges against 95 politicians, including Lula, who was convicted of taking bribes. Companies scrambled to reassure shareholders that corruption would no longer be tolerated. “We built a compliance department from scratch,” says João Nogueira, who helped turn around Odebrecht.

Lava Jato prosecutors and Transparency International proposed ten anti-corruption measures to make it easier to prosecute white-collar crime. Many congressmen backed ending *foro privilegiado*, a legal right that says politicians can be investigated for corruption only by the supreme court. But Lava Jato made mistakes. First, prosecutors and the judge, Sergio Moro, cut corners. Many cases were thrown out for violating due process or for lack of evidence, and leaked messages revealed that Mr Moro was improperly coaching prosecutors. Second, some had partisan goals. Days before the election in 2018, Mr Moro released testimony against ►►

► Lula. Mr Bolsonaro's campaign was railing against corruption in the PT. The move seemed aimed at Mr Haddad, who lost in the second round. "Lava Jato is the mother and father of Bolsonaro," claims Gilmar Mendes, a supreme-court judge.

Mr Bolsonaro chose Mr Moro to be his justice minister. In an Oedipal twist, he then went on to destroy Lava Jato. The obvious reason is that his eldest son, Flávio, a senator, was charged for embezzling the salaries of his employees while a state deputy in Rio. His three other sons are also under investigation, for alleged crimes ranging from running a fake news network to receiving a car from a businessman seeking influence (all deny wrongdoing).

Mr Bolsonaro wants to wreck institutions, not reform them. During the campaign his son Eduardo, now a federal deputy, said that a "soldier and a corporal" would suffice to close the supreme court. In May 2020 Mr Bolsonaro almost ordered the army to do this when he heard that the court might allow police to seize another son's mobile phone. According to *Piauí*, an investigative magazine, generals in his cabinet talked him down. After Mr Bolsonaro fired the head of the Federal Police, Mr Moro quit, accusing the president of obstructing justice. This year, the attorney-general chosen by Mr Bolsonaro disbanded the Lava Jato task-force.

"If we were an institutionally mature country, we'd improve the model," says Mr Lazzarini. "Instead we throw it out." In April the supreme court annulled Lula's convictions because Mr Moro was biased. The ruling paves the way for him to run again for president in 2022, and perhaps for other politicians to have their cases annulled. The lower-house whip in Congress has suggested repealing a law against nepotism. New revelations that the development ministry provided 3bn reais for congressmen to buy tractors and other farm equipment at inflated prices undermine Mr Bolsonaro's claim that there have been no scandals since he took office.

The Petrobras building looks out on other landmarks that once seemed monuments to progress but have become symbols of graft. North is Maracanã stadium, tainted by charges that the ex-governor, Sérgio Cabral, pocketed 60m reais in the run-up to the 2014 World Cup. East is Guanabara Bay, due to be cleaned before the 2016 Olympics but still polluted, partly because of corruption.



Would you trust them?

Even the famous Christ the Redeemer statue was at risk of losing its arms before money was raised for repairs in 2015.

Something else towers over Rio's poorest residents: criminal mafias known as militias. These heavily armed groups of off-duty cops and other thugs thrive on poverty and state negligence. They are being strengthened by Mr Bolsonaro.

Shadow state

Lots of oil money may have sloshed around Rio, but little went to housing, transport or security for the *bairros* where waves of migrants from poorer states settled. Daniela (not her real name) moved to a favela called Rio das Pedras in 1997. Militias take pride in ridding favelas of drug dens and drug users. "There are things you have to pretend you don't see," she says, scrolling through photos of two smiling teenagers in sweatshirts and, a few frames later, the same boys in a pool of blood. Residents have no choice but to accept militias' rule. "They are the law," Daniela says.

They are also the internet provider, the cable company, the cooking-gas distributor and the ride-share service. Every business in Rio das Pedras pays "security tax", which is used to buy cars and guns and build illegal apartments. Deeds are handled by a dodgy neighbourhood association. This would not be possible without the blessing of the local police. "You don't build an apartment complex overnight," says Simone Sibilio, former head of the organised-crime unit at the state prosecutors' office.

In the past, politicians have condoned militias. In 2006 Rio's mayor called them a "lesser evil" than drug gangs. Flávio Bolsonaro gave a medal to Adriano Magalhães da Nóbrega, a police captain who prosecutors say ran a militia in Rio das Pedras and committed eight murders. Flávio employed his mother and ex-wife; they allegedly helped with his embezzlement. But the murder in 2018 of Marielle Franco, a city councilwoman who had denounced militias, woke people up. Two cops-turned-hitmen with ties to the Rio das Pedras militia were charged. After the investigation, Ms Sibilio and her colleagues launched "Operation Untouchables", aimed at the militia's economic activities. Mr Nóbrega fled before he could be arrested; he was killed in a police operation. Of the 62 alleged *milicianos* charged in the case, 15 are police officers. Many were jailed after a state parliamentary inquiry into militias in 2008 but freed after witnesses recanted or were killed.

If the state wants to tackle militias, says Ms Sibilio, it must do more to root out corrupt cops. Police, prosecutors and financial watchdogs must collaborate. But the pendulum is moving in the opposite direction. The former governor of Rio, Wilson Witzel, weakened internal control within the police before he was impeached for covid-related graft last year. The state prosecutors' office recently closed several workgroups for complex crimes, including one that was investigating illegal construction by the Rio das Pedras militia.

The media has pounced on links between militias and the Bolsonaro family, of which there are plenty. Mr Bolsonaro lived in the same gated community as one of Ms Franco's alleged killers; he appeared in a photo with the other. Such ties are hardly surprising considering the Bolsonaros' electoral base of cops and soldiers in western Rio.

"The president has a paramilitary ideology," says Bruno Paes Manso, author of a book about militias. Mr Bolsonaro says "An armed public will never be enslaved" and has tried to pass 31 changes making guns easier to own. Some but not all were suspended by the supreme court. The number of registered firearms has surged since 2017 by 66%, to over a million. Many more circulate illegally. Mr Bolsonaro's rhetoric is often geared to police and thugs. As a guest on a TV show before Brazil passed 400,000 deaths from covid-19, he held a sign that said *CPF cancelado* (tax number cancelled), a phrase used by police and militias when they kill. ■

The Amazon

Money trees

The Amazon and its residents need sustainable development

THE INDIGENOUS territory Sete de Setembro draws its name from the “first contact” with the Paiter Suruí tribe: September 7th 1969. At the time, tribe members thought white men, with their pale skin and strange beards, were a sort of monster, whereas the indigenous were “real people”, or *paiterey* in their tongue.

Cousins Almir and Henrique Suruí were born in the following decade. As boys they saw the arrival of thousands of settlers, the conversion of tracts of forest to farmland and the death of hundreds of Suruí from disease and violence. As men they became caciques. But their paths diverged in the mid-2000s. Almir tried to protect the forest and find a sustainable income for his village, Lapetanha, home to 115 of the tribe’s 1,500 members. Henrique got involved in illegal logging and mining, which led to his expulsion. He founded a village elsewhere in the territory, which spans nearly a thousand square miles in Rondônia and Mato Grosso.

Such rivalries reflect a double failure on the part of the government: to keep invaders off indigenous lands and to reduce the poverty driving people in the Amazon into illicit activities. Since 1969 the region’s population has quadrupled to nearly 25m. It comprises 60% of Brazil’s territory and 13% of its population but just 8% of GDP. The area richest in biodiversity and natural resources is among the least developed and most destitute.

The consensus is that environmental enforcement must go hand-in-hand with sustainable development. What that looks like is debated. Last year Mr Bolsonaro submitted a bill to legalise mining on indigenous land. “Every day the Indian is more of a human being,” he said. Many suspect the Indians are not his chief concern. His vision of big projects like highways and dams to serve farms and cities does not include them. His father was a miner. He has said it is “abusive” to non-indigenous Brazilians that less than 1% of Brazil’s population occupies 14% of its territory.

Polls find most Brazilians opposed to mining on indigenous land because it uproots trees, pollutes rivers and leaves huge pits behind. Their land needs more protection if it is to remain pristine. Satellite images of Rondônia show farmland dotted with dirt roads and tiny towns. The only remaining big patches of forest are indigenous territories. This makes tribes natural supporters of a “bioeconomy” that will save the forest and reduce poverty, say environmentalists. In 1997 Philip Fearnside, a Manaus-based biologist, wrote that “The mother lode waiting to be tapped is not a material commodity, but rather the forest’s environmental services.” Yet society has to work out how to pay people for protecting biodiversity, carbon storage and water cycles.

The problem is that, ever since the rubber boom in the late 1800s, wealth and employment in the region have come from extraction: logging, mining, farming. In the 1970s the military regime built thousands of kilometres of roads through the rainforest for these activities. Colonisation programmes lured more than 100,000 families to states like Rondônia with the promise of “land without men for men without land”. To gain a deed to a plot of jungle they had to deforest half. As with the “manifest destiny” that drew Americans west, there was no mention of tribes already living on the land. Many were massacred or driven out.

Brazil’s constitution of 1988 tried to put some of this right. It strengthened laws to protect the environment, laid out steps to



What men without land do for gold

demarcate hundreds of indigenous territories and boosted Funai, the agency responsible for them. It left open the possibility of extractive activities on indigenous land, so long as Congress passed laws regulating them and local communities were consulted and paid. Mr Bolsonaro says they will be if his bill passes, but his government has not sought their input.

In the 1980s Funai introduced logging as a source of income for the Suruí, but it was banned after it went out of control. The protectionism of later governments was also unhelpful. Rules making it hard for indigenous people to sell produce from their land to businesses outside the Amazon “made it impossible for them to develop,” says Ivaneide Cardozo of Kanindé, an NGO in Rondônia. In 2000 Almir wrote a 50-year plan with goals for health and education and ideas for how to pay for them. “We’re in the process of understanding what money means for us,” he says.

The road to Sete de Setembro weaves through rocky pastures filled with humped cattle. A wall of trees marks the entrance to the territory. Inside, the forest canopy blocks the sun and the air fills with bird sounds. Lapetanha has a *maloca*, where elders meet under a thatched-palm roof, along with a Wi-Fi tower. In 2013 the Suruí became the first indigenous group in the world to sell carbon credits under the UN’s anti-deforestation scheme (REDD+). Natura, a cosmetics company, bought 120,000. So did FIFA before the World Cup. The tribe received around 3m reais to protect trees, and used it for projects such as a coffee co-operative.

But some tribe members claimed the money was not distributed fairly. Henrique claims Almir took too much. The scheme could have won more funding but, with help from an NGO tied to the Catholic church, which has criticised carbon credits, Henrique sabotaged it. During an audit to vet his claims, loggers returned. The project was decertified. REDD+ projects are now popping up throughout the Amazon in hopes of a global carbon market, but ▶▶



► the Suruí case suggests that it may not be a straightforward success. And rich countries may prefer to buy credits at home. “Sending money to Brazil to stop deforestation doesn’t do anything for the German economy,” Mr Fearnside says.

The co-operative did better. Brazil’s largest coffee firm, Três Corações, agreed to buy each harvest for 450 reais a sack (the co-op takes 20%). Each Suruí family sells 30-40 sacks, depending on its plot and how many kids it has to pick berries. It is a lot of work for an income less than minimum wage. But the Amazon lacks initiatives for more lucrative economies, like pharmaceuticals or cosmetics, says Denis Minev, who runs its largest department-store chain. He points out that the government invested billions to help Petrobras develop pre-salt technology, and the Embrapa agricultural-research institute to grow soy in the *cerrado*. The annual budget for the top research institute in the Amazon is 35m reais, less than the footballer Neymar earns in a month.

Francisco Costa, an economist, says that 700,000 people still make a living from the forest, a sizeable group but one with an uncertain future. They are responsible for less than 5% of deforestation; most comes from soy and cattle farms, which are expanding (mining causes degradation, a precursor). Farmers make more money from the growing market for beef and soy in Asia, while Amazonians in sustainable trades like fishing or harvesting açai have seen their incomes stagnate. It is no wonder that some are turning to illegal economic activities.

Before diamonds were discovered on Suruí land, they were mined on a nearby reserve occupied by the Cinta Larga tribe. *Garimpo* (wildcat mining) brought wealth but also alcoholism, prostitution and debt.

Environmental enforcement must go hand-in-hand with sustainable development

In 2004 the Cinta Larga killed 29 *garimpeiros*. Prospectors fled to other areas; mineral veins led them to Sete de Setembro. Almir forbade the Suruí from mining but Henrique gave them his blessing: “If the forest is going to be cut down, at least let it be by Indians.”

According to a verbal agreement, 20% of profits are meant to go to the tribe, yet miners rarely keep their word. Henrique was once jailed for mining but he has been to the police countless times to report that Suruí are being exploited. At a hearing in 2015, he accused prosecutors and Funai of being complicit. “You’re in the hands of the miners and I’m the one who’s the thief?” he said. Three or four times a year, police descend on the mines, arrest the miners and set fire to their machines, which can cost 500,000 reais. But the *garimpeiros* always return. Some 200 are in Sete de Setembro even now, says an investigator. Fines are low, “So it’s always worth it to try again. Coffee, Brazil nuts? Nothing is capable of competing with diamonds.”

Burn, baby, burn

Mr Bolsonaro has squelched any initiatives that tried. In 2019 the environment minister, Ricardo Salles, launched a crusade against the Amazon Fund, through which Germany and Norway donated \$1.2bn to projects that employ locals to protect the forest. Mr Salles accused NGOs of committing fraud, even though most of the money went to the ministry. He abolished two committees that oversaw funding and suggested using it to pay squatters who were kicked off conservation units. In the face of rising deforestation and fires, Germany and Norway withdrew their donations.

In a secret meeting in April 2020, video of which was released by the supreme court, Mr Salles urged cabinet members to “push through all kinds of deregulation” while the press was distracted by covid-19. A day after telling President Joe Biden and other leaders at this year’s Earth Day summit that Brazil would double spending on environmental enforcement, Mr Bolsonaro signed a budget that cut it by 24%. When a police superintendent accused Mr Salles of obstructing a probe into illegal logging, he was fired. Brazil will have no problem meeting its goal of ending illegal deforestation by 2030, the former chief tweeted, “Because there will be no forest left.” Mr Salles is under investigation for corruption.

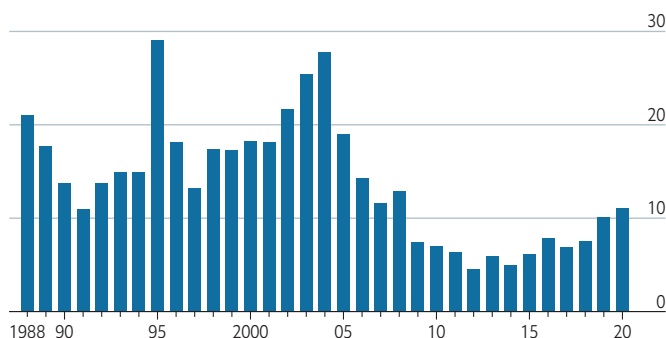
As the risk goes down, the reward goes up. The price of gold has soared by 40% since 2018, to more than \$1,700 per ounce. This has drawn tens of thousands of hopefuls to wildcat mines. A gold rush in Pará has split the Munduruku tribe and led to violence. Near the border with Venezuela, where the Yanomami tribe lives in isolation, 21 of its members died of covid-19, including six babies. The virus was brought in by *garimpeiros*. Instituto Escolhas, another NGO, says lack of regulation makes *garimpo* far too easy. To sell gold to a bank, Brazilians need only fill out a form. The institute estimates that a third of the roughly 100 tonnes of gold mined in Brazil each year comes from *garimpo*. Most is illegal.

Over 3,000 petitions have been filed to mine on indigenous land. Mr Bolsonaro’s government has approved 58, even though the law does not allow it. The permits mostly belong to big companies like Anglo American, though *garimpeiros* believe it is a matter of time before their trade is condoned. “We’re workers, not bums,” says Alison Oliveira, owner of one of more than 1,000 illegal barges that mine gold on the Madeira river outside Porto Velho, Rondônia’s capital. By night they dredge sand from the riverbed; by day, they sift through it with mercury, which sticks to gold. On a good week, the flecks add up to an ounce or two.

In January Rondônia passed a decree overturning a ban on *garimpo* in rivers. Few barges have submitted papers to operate legally (it is easier to bribe the marine force), but they see the decree as a step towards access to conservation areas where mining remains illegal. Porto Velho’s economy depends on gold, says Mr Oliveira. That politicians own barges is an open secret. He insists that min- ►►

The wrong direction

Brazil, annual deforestation of the Amazon rainforest, '000 km²



Source: TerraBrasilis

ers have become more green-conscious: they now throw their rubbish away in town. Sand tainted with mercury goes back into the river, though. When this correspondent visited, his workers were dumping it as dolphins played near the barge.

Henrique Suruí scrolls through photos on his phone of chemical-filled craters and laments that young Suruí women want to marry only white miners. He feels sick when he thinks about how little the tribe has benefited from *garimpo*. “Bolsonaro is right when he says indigenous people need to evolve,” he says. Almir agrees. The death of both their mothers from covid-19 has reunited the cousins. They are talking of joining forces to kick out the miners and launch a new carbon-credit project. Henrique wants to find investors for a mine in which more profits would go to indigenous people. Almir is sceptical but doesn’t rule it out. “Of course we want development,” he says. “Just not at any cost.” ■

Politics

In need of reform

Brasília is full of new politicians and old ideas

TABATA AMARAL wanted to be an astrophysicist, not a politician. She was raised in the outskirts of São Paulo and graduated from Harvard in 2016. On her return she saw the sorry state of education in Brazil and decided only policy change would improve it. So she launched a bid for Congress and became a federal deputy at 24. On her first day in Brasília in 2019, she learned why change is so hard. The son of another congressman was squatting in her state apartment and refused to leave. Politicians get lots of perks: a salary of 405,000 reais, 25 advisers of their choice, free housing, and *foro privilegiado*, which makes them hard to punish. Parties are given 2bn reais between them to run campaigns. State-sized districts require big spending, so rich political clans usually win. In exchange for their support, the president doles out jobs and pork.

Some young politicians want change. After Lava Jato Ms Amaral founded Acredito (I believe), a movement that preaches “renewal of people, practices and principles”. She also joined RenovaBR, a public-policy bootcamp founded by Eduardo Mufarej, a businessman, that trained 117 candidates before the 2018 election, of whom 17 were elected. Members of RenovaBR represent parties

across the ideological spectrum and don’t always obey party instructions. Ms Amaral was nearly kicked out of the centre-left Democratic Labour Party for voting for pension reform.

“Every politician has to choose whether to work for the inside or the outside,” she says. Ms Amaral and two other congressmen cut costs by sharing staff. Their “shared cabinet” was the first to propose a basic income for the poor during the pandemic. Veteran politicians now use social media. “It was as if the public didn’t exist and now it does,” says Fernando Henrique Cardoso, a former president. The internet may spur more change than the modest reforms agreed on so far, such as a “clean record” law barring candidates with graft convictions for eight years and a “performance clause” denying funds to parties with less than 3% of the vote.

Deeper reforms might include smaller districts, stricter campaign-financing rules and admitting independent candidates. But none looks likely. Although voters in 2018 elected a record number of first-timers, most were “new politicians with old ideas,” says Joênia Wapixana, the first indigenous congresswoman. Politicians back the system that put them in power. That was clear when they refused to give up pork in the budget even though it meant cuts to health and education. Deputies may even support a bill to increase their terms from four to five years and to bring back corporate campaign donations.

Mr Bolsonaro’s vows of renewal have also proved false. “In 2018 it was a decision between something we knew had brought the country to its knees and something we didn’t know,” says Mr Mufarej. That was a “collective mistake”. Disillusion increased when the president squandered chances to buy vaccines. A Pfizer executive told the CPI that Mr Bolsonaro ignored six offers from the company. His approval rating fell from over 40% in August to less than 30%. But Congress has ignored 111 impeachment petitions against Mr Bolsonaro. Before Ms Rousseff was impeached, she faced months of protests and her support slumped to 9%.

The CPI will give Mr Bolsonaro’s opponents ammunition for the election next year. The battle will be fought by traditional politicians. His top rival is Lula, who wants to remind Brazilians how good things were when he was president. “Poor people travelled in aeroplanes and were proud to eat meat on Sundays,” he tells *The Economist*. “Now they are going hungry.” Yet Lula’s negative ratings are nearly as high as Mr Bolsonaro’s. Many Brazilians have not forgiven him for the PT’s role in corruption. He suggests that prosecutors in the United States collaborated with Lava Jato because of “an interest in our Petrobras”. He admits that the PT lost in 2018 because of “errors we committed”, but says they were economic, not ethical. With growth stagnant unemployment soaring, “the role of government is to put money on the table,” he says.

If the election were held today, the most likely outcome would be a runoff between Lula and Mr Bolsonaro. Some of Lula’s critics would hold their noses and vote for him. “At least the PT is on the democratic spectrum,” says Mr Cardoso, whose Party of Brazilian Social Democracy was long its biggest rival. Centrist parties are scrambling to find an alternative. “Lula and Bolsonaro see the country in the rear-view mirror,” says Luciano Huck, a TV host who may run. Other options include João Doria, governor of São Paulo, and Ciro Gomes, a former governor who came third in 2018. But if more than one runs, they could split the centrist vote.

Trouble ahead?

If Mr Bolsonaro loses, there may be protests. The ex-foreign minister called those who disputed Mr Trump’s loss “good citizens”. In any *bolsonarista* uprising, some Brazilian police might join in. As for the army, it could split the ranks, says a former officer. That is what happened in 1964. The coup against João Goulart, a populist president, was widely supported by Brazilians hopeful that democracy would soon return. The generals ruled for 21 years. ▶▶

▶ Carlos Alberto Santos Cruz, Mr Bolsonaro's former chief of staff, insists today's generals are committed to democracy. Those in the cabinet joined as citizens, not soldiers, he says. Still, he admits the 6,000-odd soldiers in government jobs leave the impression "that the military is participating." Many may want Mr Bolsonaro to stay, including Eduardo Pazuello, a former health minister under scrutiny by the CPI for ignoring pleas from Manaus before hospitals ran out of oxygen in January. The army despises the PT for its role in corruption and for creating a truth commission to investigate human-rights abuses under the dictatorship. In 2018, before the supreme court rejected an appeal to save Lula from prison, the army commander tweeted that his institution was "on the alert" and "shares the desire of all good citizens to repudiate impu-

nity". It was perceived by many as a warning.

Mr Bolsonaro calls the armed forces "my army". He says he could order them to open businesses that governors have shut because of the pandemic. The recent resignation of senior commanders suggests they might reject such orders, but Mr Bolsonaro is trying to make them more loyal, says Antonio Ramalho, a professor of international relations at the University of Brasília. Soldiers have had wage increases and been spared the deepest pension cuts. In February the president tried unsuccessfully to award Mr Pazuello a fourth star. Changing promotion rules so that younger officers can advance quickly is a tactic that worked well for Hugo Chávez in Venezuela. "People underestimated Bolsonaro," Mr Ramalho says. "He's thinking ahead." ■

Of Bibles and ballots

Evangelical churches are political actors in Brazil

AT 4PM EVERY Sunday in Barra de Pojuca, a poor town in Bahia, the streets suddenly empty. You may think people are taking a siesta, until you spot the crowded churches. "For every sister in church there's a brother in the bar," jokes Cremilda, a member of the Assemblies of God, as she climbs to the cinderblock chapel. But in the 20 years since she helped build the church, more men are choosing Bibles over beers.

In 1970 only 5% of Brazilians were evangelical. Now a third are. The movement owes its growth to rapid urbanisation. Pastors arrived with little more than a Bible and preached in words people understood. Pentecostalism offered lively worship and solutions to earthly problems like poverty, alcohol abuse or domestic violence. A study of Brazilian men in 2014 found that Protestant faith was linked to a rise in earnings, especially among less educated black men. "Becoming evangelical isn't only a bet on the supernatural, but a choice" for a better life, writes Juliano Spyer, an anthropologist, in a new book.

The largest subset of evangelicals are poor black women, a group Mr Bolsonaro has derided. Yet two-thirds of evangelicals voted for him, many on advice from their pastors. Evangelical churches once shied away from politics. Their representatives at Brazil's constitutional convention in 1988 urged Catholics to keep the state secular. But they realised politics could promote goals such as opposing gay rights and abortion, or remaining tax-exempt. Politics also became a way to deal with religious competition, says Amy Erica Smith, a political scientist at Iowa State University. The evangelical lobby in Congress includes 195 of 513

federal deputies.

Among Brazil's 40-odd denominations, the most partisan is the Universal Church of the Kingdom of God (UCKG), which has 2m members and 8,000 churches. It was founded in 1977 by Edir Macedo, an ex-lottery official who owns a TV network. He once backed the PT but in 2018 declared for Mr Bolsonaro (who is Catholic but was rebaptised in the Jordan river by a Pentecostal pastor). Members were bombarded with anti-PT propaganda. Some wavered, says Jacqueline Teixeira, an anthropologist at the University of São Paulo. But after Mr Haddad called Mr Macedo a "fundamentalist charlatan", they felt that if they did not vote for Mr Bolsonaro, "they'd be denying their religious identity," she says.

Evangelical support for Mr Bolsonaro reflects dissatisfaction with the PT's progressive policies and its role in Lava Jato. "When the church enters politics, it brings

morals," says Antônio Falcão, a Baptist former city councillor from Barra de Pojuca. Mr Bolsonaro has not legalised state religious education or outlawed gay marriage, but he has increased punishment for people convicted of domestic violence and slashed public funding for Brazilian cinema, calling it "pornographic".

In April his nominee to the supreme court decreed that churches could open on Easter Sunday, despite covid-19. Some 500 people crowded into a UCKG temple in Porto Velho. The pastor chided the congregation for skipping services. "You have faith in doctors, you have faith in vaccines but you don't have faith in God?" he cried. Church workers promptly appeared with velvet bags; the UCKG instructs its members to donate 10% of their income to the church. "All that matters is that you are good with God," said the pastor.

Only 35% of evangelicals disapprove of Mr Bolsonaro, against 44% of all Brazilians. Still, some may break with him in 2022. Marina Silva, an evangelical former senator, says that politicians should be judged for their credentials, not their creed. Assemblies of God is less hierarchical than the UCKG. It has megachurches with *bolsonarista* pastors but most of its 12m members belong to hole-in-the-wall congregations like Cremilda's. Pastor Josemar says he is sick of "representatives who don't represent us".

In 2018 evangelicals were "like chicken with our heads cut off", one of Cremilda's friends comments. Now she thinks that the president is "not a man of God". But Cremilda is undecided. She is waiting to see whether other candidates share her Christian values. "Bolsonaro has lost his way," she says, but she believes in the power of redemption.



Praying for good government



The prospects

Time to go

Brazil's future depends on the outcome of the 2022 election

THREE MONTHS after Mr Bolsonaro became president, he ordered the army to mark the 55th anniversary of the coup. His press office distributed a video in which a man explains that the 1960s were a “time of fear”. Communists were “killing their compatriots” in the name of a leftist ideology. The public took to the streets, begging for intervention. Then “Brazil remembered that it had an army.” Black and white shifts to colour as the music picks up and Brazil’s flag appears. “The army saved us,” the man says.

Brazil’s military dictatorship killed 434 people, far fewer than regimes in Argentina and Chile did. That partly explains how, after handing power back to a civilian government in 1985, the army became the institution Brazilians trust most. It is also why Mr Bolsonaro was able to exploit his military past to be elected.

The generals who joined his government hoped to advance the army’s agenda. Instead they hurt its reputation. They were complicit in Mr Bolsonaro’s mishandling of the pandemic, which led to tens of thousands of unnecessary deaths. They failed to get him to sign vaccine contracts or to stop him greeting supporters when he caught covid-19. Under Mr Pazuello, the health ministry resembled a *boca de fumo* (drug den) for hydroxychloroquine. At one point it launched an app for doctors that recommended the drug to nearly everyone, including infants and people with hangovers.

Yet the army has so far held Mr Bolsonaro back from an anti-democratic “adventure”, in the words of Mr Santos Cruz. How long it can do this is less clear. Mr Bolsonaro may try to cling to power if he loses next year by claiming he has won and inciting protests. “Only God will remove me,” he has said. He says electronic voting is subject to fraud and he has eased gun laws to “arm the people”

against “dictators”. His fans include police and thugs. The army may find it has to choose between democracy and Mr Bolsonaro.

Other Brazilian institutions have survived his assaults, though their resistance can resemble a game of whack-a-mole. In May, after police began a defamation investigation into a YouTuber who had called Mr Bolsonaro a “genocidaire,” a judge threw out the case. Another judge quashed a probe into Almir Suruí and other indigenous leaders accused of “lies” about government failings in the pandemic. *Folha de S. Paulo*, a newspaper, denounced censorship by printing an op-ed of 185 insulting names for the president, including “tyrant”, “butcher” and “donkey”.

But while the courts have rebuffed Mr Bolsonaro’s authoritarianism, other institutions have suffered at the hands of his loyalists. After Congress blocked two decrees to give the agriculture ministry control over indigenous land claims, Funai changed its policy to allow farmers to claim ownership of tribal lands not yet officially demarcated. Police and prosecutors are investigating allies and sons of the president, but that has cost some their jobs. Mr Bolsonaro has named one pliant supreme-court justice and will be able to pick another this year.

If he manages to win re-election (by fair means or foul) he could nominate two more. His attacks on democracy would then become more brazen. His more radical fans shun institutions and see him as their saviour. The *bolsonarista* who said she wants civil war once camped outside Mr Moro’s court. When he quit and accused the president of obstructing justice, she replaced her pro-Moro t-shirt with one saying, “I would go to war for Bolsonaro”.

Four more years of him in charge could devastate the Amazon, where much of the rainforest could turn into dry savannah. Mr Bolsonaro prefers losing a trade deal with the EU to changing his environmental policy. That would be bad for the whole country, which has been going in the wrong direction for a decade. Growth is stuck, jobs are scarce, millions of people are hungry and politicians think only of themselves. For a country that likes to party, there is little to celebrate.

In 2018 only 14% of Brazilians said they trusted the supreme court “a lot” and 3% trusted Congress. Mr Bolsonaro exploited such disillusion to win election. His rivals in 2022 must turn it against him. Polls suggest Lula would win a runoff. But as vaccination and the economy pick up, the president may regain ground. Lula must show how his handling of the pandemic has cost lives and livelihoods, and how he has ruled for his family not for Brazil. The ex-president should offer solutions, not *saudades* (nostalgia).

On March 31st, the anniversary of the coup, six potential challengers to Mr Bolsonaro signed a manifesto saying democracy was “under threat.” Saving it will take more than manifestos. Politicians need to tackle overdue economic reforms. Courts must crack down on corruption. And businesses, NGOs and ordinary Brazilians must protest in favour of the Amazon and the constitution. But it will be hard to change Brazil’s course so long as Mr Bolsonaro is president. The most urgent priority is to vote him out. ■

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