

Behind Brazil's 'Regime Change'

Government "corruption" – trumpeted by international media and exploited by U.S.-funded NGOs – is a favorite weapon for discrediting and removing populist leaders, as is now occurring in Brazil, explains Dan Steinbock.

By Dan Steinbock

While international media focuses on Brazil's mass demonstrations against corruption, efforts behind the façade precipitate regime change, restoration of a pre-Lula order, and a struggle against the BRICS nations. The U.S. feels threatened by an era of multi-polarity, which deeply implicates China, and other emerging economies.

In August 2016, Rio de Janeiro should host South America's first-ever Olympic games, which were supposed to be its great coming out carnival, even amid campaigns against the Zika virus. Only a few years ago, Brazil exemplified the BRIC dream of rapid growth. Now it is coping with its most severe recession in a century. But there's worse ahead.

When Brazil's first working-class President Luis Inácio Lula da Silva took office in 2003, the poor nation was on the verge of an economic implosion. President Lula's center-left Workers' Party (PT) and its coalition won the markets with conservative fiscal policy and lifted millions from poverty, while living standards rose by 60 percent.

Timing was favorable. A year after China joined the World Trade Organization; Lula initiated Brazil's economic reforms. To modernize, Brazil needed demand for its commodities; to industrialize, China needed commodities. In the subsequent eight years, the U.S. share of Brazil's exports plunged, while China's soared. Regionally, Brazil became Latin America's growth engine. Brazil and China shunned President George W. Bush's unipolar foreign policy; each supported a more multipolar view of the world.

So Washington's neoconservatives began to strengthen ties with Brazil's center-right opposition. Politically, this opposition comprised conservative social democrats (PSDB), Democrats, and Lula's more liberal allies, juridical authorities and military leaders. Economically, it featured the narrow elite, which reigns over an unequal economy polarized by class and race, as well as conservative and highly concentrated media conglomerates owned by a few families, including Marinho brothers' Grupo Globo.

The demonstrators represent a multitude of groups, such as Free Brazil movement, neoliberal activists, Students for Liberty, Revolted Online etc. – but several

have cooperated with or been funded by, the Koch brothers, the John Templeton Foundation, National Endowment for Democracy and many others.

During these years, Sérgio Moro, a Harvard-trained judge, and other emerging Brazilian leaders participated in the U.S. State Department's International Visitor Leadership Program (IVLP), which opened doors to U.S. agencies and institutions struggling against terror and money laundering.

Created amid the Cold War, IVLP has engaged 200,000 international leaders with their U.S. counterparts, including current or former chiefs of state or heads of governments. Meanwhile, Brazil's federal police began broader cooperation with the FBI and CIA in anti-terrorism. But in the Lula years, economic boom kept the forces of the *Ancien Régime* at bay.

Economic Erosion, Political Expediency

By 2015, Brazil's economy contracted 3.7 percent. Inflation is still at 9 percent, although interest rate exceeds 14 percent. Meanwhile, leading credit-rating agencies downgraded Brazil's debt to junk. In Congress, the speaker of the lower house Eduardo Cunha – who represents President Dilma Rousseff's coalition partner, the huge but fractious Brazilian Democratic Movement Party (PMDB) – seeks to remove Rousseff, presumably to deter allegations that he took \$5 million in bribes from the state oil company Petrobras.

The reason why the state-run oil giant attracts so much heat today goes beyond corruption. In the Lula era, Petrobras was made accountable of all offshore blocks of oil, while U.S. oil giants were kept at distance and oil exploration was started with China's Sinopec. Now that Petrobras is bleeding, a privatization fire sale would bring U.S. players back in.

When Rousseff took office half a decade ago, she hoped to build on Lula's success. In practice, she rewarded her constituencies with higher pensions; ensured tax breaks to strategic industries and spent unwisely. Meanwhile, world trade plunged, commodity prices collapsed, and China's growth decelerated. As a result, "hot money" began to flee Brazil leaving behind asset shrinkages, deflation and depreciation.

According to Wikileaks, the U.S. National Security Agency (NSA) had been tapping some 30 Brazilian government leaders' phones (Rousseff, ministers, central bank chief, etc), and corporate giants (including Petrobras). Brazilians believe that U.S. intelligence agencies have a dark track record not just in security intelligence but economic espionage and strategic destabilization.

And the story took a new turn. The two-year long Lava Jato (car wash) investigation, Brazil's largest corruption enquiry, overturned decades of

impunity as it broadened from the state-owned oil giant Petrobras across Brazil's political elite. Before last Christmas, the police raided the offices of the ruling party PT and its main coalition partner PMDB, led by Vice President Michel Temer.

Brazil has a long legacy of corruption that stems from colonialism, economic elites, race and class, the military dictatorship (1965-84) and its foreign allies, including the U.S. Yet, there have been no comparable police raids in the post-military era. In this view, the timing of the corruption inquiry and the police raids was politically expedient. They did not begin when they were legally warranted but when Rousseff became politically vulnerable.

Corruption and Destabilization

Internationally, Brazil's mass demonstrations are depicted as a quest against government corruption. That is a gross simplification. In reality, current volatility is not just about corruption, which is pervasive and extends across Brazil's entire political class, including the ruling PT. Rather, it is about destabilization that is paving way to a regime change.

When Lula left office in 2010, he enjoyed 90 percent approval ratings. A while ago, Lula was still expected to stage a comeback in the 2018 presidential election. Then he and his wife were forced to testify in São Paulo about alleged corruption. Opposition saw it as another reason for mass demonstrations; Lula's supporters as an effort to tarnish the name of Brazil's most successful political leader.

As Rousseff invited Lula to join the government as its most powerful member, conservatives argued that the invite was just another attempt to shield him from corruption investigations because in Brazil only the Supreme Court can authorize such investigations.

To neutralize Lula's return, Moro blocked his appointment relying on recordings of tapped phone calls between Lula and prominent public figures, including incumbent President. Rousseff regarded the illegally-recorded and released calls as a political "attempt to overstep the limits of the democratic state." In this narrative, Moro expressed his ultimate goal already in 2004, when he advocated "authoritarian subversion of juridical order to reach specific targets," including the use of media to intoxicate the political atmosphere.

In this scenario, the corruption case has served to discredit the government. So when Rousseff invited Lula into the government, the objective became to neutralize Lula's comeback. During his time in the U.S., Moro learned that dominant media can be used to leak stories that discredit targeted leaders in

dominant media prior to the court. In the Kafkaesque new normal, you are no longer innocent until proven guilty; you are guilty until proven innocent in the name of “national security.”

Struggle against the BRICS

The Brazilian judicial strategy is reminiscent of the Italian *Mani Pulite* investigation in the 1990s, which relied effectively on media (dominated by tycoon Silvio Berlusconi) to delegitimize the political system, which was replaced by authoritarian leadership (again, Berlusconi). Instead of violent coup d’etat or military dictatorship, judicial strategy can achieve regime change by legally acceptable means. In Brazil, Rousseff’s impeachment is moving ahead and much more will follow.

In the view of Washington (and Brazil’s opposition), Lula, Rousseff and the PT remain controversial because their emphasis on multipolarity (which excludes American exceptionalism); support of the BRICS (which is seen to operate against the US and G-7 interests); funding for the BRICS New Development Bank and Asian Infrastructure Investment Bank (which are seen to undermine the power of G-7 international multilateral organizations); efforts to overcome income polarization (which is regarded as potentially subversive), Latin American integration (which is perceived as anti-NAFTA) and alternative global Internet regime (which would bypass U.S. control); and a multipolar currency basket (which is seen as an attempt to emasculate the global dominance of the U.S. dollar).

In this narrative, Brazil’s destabilization is strategic and less about the rise of democracy than about an effort to replace it with new authoritarianism. In turn, anti-graft campaigns focus on inconvenient political parties, but exclude economic elites and foreign interests that sustain corruption. However, what happens in Brazil won’t stay just in Brazil. Rather, it has potential to radicalize center-left opposition in Brazil and harden sentiments in other BRICS nations.

As global growth prospects continue to dim, what advanced and emerging economies need is cooperation that benefits both – not restoration of ancient regimes that insist on privileges that were never either legitimate or democratic.

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