

MACRO STUDY SUMMARY: NATIONAL POLITICS

Bert Lankheet, Joël Meijers & Ferdinand van den Brink, May 2010

INTRODUCTION

Brazil is an interesting country in several respects. Its turbulent history is reflected in Brazilian politics through the years. This chapter will first give a global description of the recent political history and the current political situation. Following this it discusses the policies of the Brazilian government with respect to human rights, environmental sustainability and employment laws. Then taxation legislation and monopolies are described. Furthermore it will explain about bureaucracy and corruption in Brazil. Finally, a conclusion and comparative table summarize and compare several aspects of Brazilian and Dutch politics.

RECENT POLITICAL HISTORY

Brazil has had different political systems over the centuries. A military dictatorship ruled Brazil from 1964 till 1985. The military had total control over Brazil's economy, politics and media. In the late seventies, when people lost confidence in the existing regime, they began to demand complete freedom (Groot 1991). In 1978 there was a conflict on wages, which led to a strike of half a million workers. It was clear that the regime lost its control. This led to the so called "Abertura" (opening) under the presidency of João Figueiredo. Abertura stood for political liberation. In 1985, José Sarney was sworn in as president. which is considered the end of the military regime (Groot 1991).

The next period is often referred to as the period of the "Nova Republica" (new republic), in which Sarney had to deal with many problems. When the currency reform plan (Plano Cruzado) ended in nothing, people lost confidence in the Nova Republica. The congress was turned into the Constituent Meeting, which had the task to draft a new constitution. The first presidential elections of Nova Republica in 1989 were won by Fernando Collor de Melo. He stepped down prematurely because he was being accused of corruption.

The vice-president, Itamar Franco, took over the presidency. The minister of Finance, Cardoso, launched a new economic plan ("plano real"). This plan meant that the currency (the Cruzeiro) was replaced by the Real, which was connected to the dollar. Thanks to the success of this plan, Cardoso was elected president in 1994. He made some important changes in Brazil from 1995 until 2003. He privatized public institutions and he took measures that led to the decrease of inflation. As a result, the Brazilian industry modernized and became more attractive for the world.

In 2002, Lula da Silva became the first democratically elected left wing president of Brazil. He claimed a strict fiscal and monetary policy and reformed the social security system under the name "Bolsa Família". Lula da Silva was re-elected in 2006 (Hudson 1998).

The next elections will take place on October 3rd 2010 (while the study tour is taking place). It is for sure that Lula will transfer his function to someone else, because the presidential reign is limited to maximal two terms. The most important successors are Dilma Rousseff and José Serra. Rousseff is the protégé of the current president and currently the Minister of Energy. Serra is the current Governor of São Paulo state.

CURRENT POLITICAL SYSTEM

The current political system of Brazil is based on the constitution that was created in 1988. Brazil is a federal presidential democratic republic. The president is the leader of state and government. There is a multiparty system and Brazil is divided into 27 federal states (26 states + 1 federal district state Brasilia) and these states are further divided into municipalities. This system is like the United States system. This is reflected in the size of the country and in the fact that Brazil tends to copy things such as political system and judiciary structure from the US. The states are relatively independent, each having an own constitution, governor and parliament. Brazil has about 5.500 municipalities. Each municipality has its own constitution and is highly autonomous, as long as policies do not conflict with state or national laws. The mayors and the municipal council are directly elected by the people of the municipality.

Executive power belongs to the government which is led by the president and vice-president. These are elected for a four year term. The president may be re-elected only once. The president appoints the cabinet, which is composed of ministries, secretaries and other important institutions as the central bank.

The Brazilian legislature is in the national congress which consists of a federal senate and a chamber of deputies. The federal senate has 81 members and each state has three representatives in the senate. The representatives are elected every 8 years. The chamber of deputies has 513 members which represent the states. The seats are distributed proportionally to the population of each state, but a state has a minimum of 8 seats and a maximum of 70. The number of terms of legislatures is unlimited.

The constitution provides an independent judiciary, but the independency is often questioned because the executive may influence the judgments of the judiciary. The judicial power is vested in the federal supreme court, federal court of justice and subsidiary bodies. Judges of superior courts are appointed for life by the president and have to be approved by the senate. The courts functions under a system that is based on the Portuguese civil law.

All citizens from 18 to 70 have the right and obligation to vote. Citizens from 16 and 17 years old may vote on a voluntary basis. Brazil was the first country to have fully electronic elections. Active voting right is allowed for all people who are presented by political parties. All executive candidates have to resign 6 months before elections. If they president or governors do not get a majority in the first round of an election, more rounds follow. (Hudson 1998)

HUMAN RIGHTS

The following civil liberties are all provided in law in Brazil: freedom of speech and press, freedom of peaceful assembly and association, freedom of religion and freedom of movement. These are generally respected in practice.

In general, it can be said the Brazilian government respects the human rights. However, there still appear to be some serious issues in practice. These are the consequence of failure in implementation. The following paragraphs give a brief overview of the most important actual human rights subjects in Brazil.

Despite the federal government is not involved in politically motivated killings, the Brazilian police commits unlawful murders on a large scale. Thereby they also torture during apprehensions. Police officers often get impunity in cases of torture or abuse. The National Plan for the Prevention and Control of Torture tries to reduce this problem by measures such as installing cameras in prisons and videotaping interrogations.

The conditions in Brazilian prisons are also very poor, due to abuse by guards, poor medical care and severe overcrowding. Prison officials treat prisoners brutally, including usage of torture. Poor working conditions and low pay for prison guards encourage widespread corruption.

Although the law prohibits discrimination on the basis of race, gender, disability, or social status, discrimination is very common. Black people have revealed that at a certain point they reach the infamous "glass ceiling" and cannot reach any higher on the social scale. Although the law prohibits discrimination based on gender in employment and wages, there are also significant wage disparities between men and women. According to the Ministry of Labor and Employment (MTE), women are often paid less than men in the same functions. Finally, the law prohibits subjecting any child or adolescent to any negligence or abuse, but in reality such abuse is a major problem. There were 32,588 reports of abuse in 2008. Especially physical and psychological aggression was a major problem. Another big problem was child prostitution.



Figure 1 Brazilian states (Links2Brazil, 2010)

Trafficking is forbidden by law, but still persons are trafficked from, within and to Brazil. Authorities estimate that thousands of persons are trafficked annually. These persons are most commonly exploited for commercial sexual exploitation or they are forced into labour schemes in rural areas..

Finally, it can be said the government respects the judicial independence as provided in the constitution. However, practical problems with the judiciary include underpayment, inefficiency, intimidation and political/economic influences. (U.S. Department of State, 2009)

ENVIRONMENTAL SUSTAINABILITY

The enormous growth of the Brazilian population and economy makes the country have a growing pressure on its huge amount of natural resources. Because other issues seem to be more urgent for both individuals and government, environmental aspects may easily be neglected. The issue that played an important role in the political discussion in last decades, is the introduction of renewable energy as a fuel and for electricity. Policy on this subject could be regarded as successful, because 45% of all electricity is generated with renewable energy (Ministério de Minas e Energia, 2006). Further improvements could be made by using electricity more efficiently (Rosa and Lomardo, 2003).

Brazil is one of the leading countries in bio fuel. Several times programmes have been set up during periods of international oil shortage, because the government wanted to decrease dependency on oil import. Additionally, Brazil is one of the worlds leading producers of sugar cane, which is the most important element of bio ethanol. This resulted in a relatively high usage of bio fuel instead of a pure experimental fuel (Pousa, et al, 2007).

Another important issue is deforestation. In the past, the Amazone was seen as a huge desolate area, which had to be cultivated. Therefore the government tried to build roads and excessive subsidies were given to starting farmers in forested areas. Two other sources of deforestation are illegal timber production and mining activities. Nowadays, almost 80% of the total timber production in Brazil is unauthorised (Verifor, 2006) and the problem is expected to increase, because of the declining contribution of Asian forests on the global demand. In 2005, 17% of the Amazone had already been deforested (<http://www.wood-it.be>, 2005).

Other important issues are pollution and policy on peat lands. In general, it can be said that more legislation is required to improve actual environmental problems. They have in common that they are the result of the lack of legislation to restrict companies in their environmental pressure. The authorities are afraid in setting up restricting rules, because they expect that it will slow down economical growth.

EMPLOYMENT LAW

The rights and obligations of Brazilian employers and employees are recorded in the “Consolidação das Leis do Trabalho” (Consolidated Labour Law, CLT), which was issued in 1943. This law includes rules about working hours, overtime, and dismissal. Labour rights are also regulated through collective bargains and collective agreements. The basic rights of Brazilian employees as provided in the CLT, include compensation, a minimum age (determined by the state), a maximum of 44 working hours per week, a obligated 13th salary, a weekly paid rest period, a minimum of 30 vacation days per year and a right to equality..

The most common way to hire a person is by establishing an employment relationship under the rules of the CLT. Employment contracts are usually valid for an undetermined period of time, but temporal contracts are also possible. An oral employment contract is fully valid and enforceable, and thus subjective to the rules and regulations of the CLT. An existing employment relationship can be ended by either the employer (dismissal) or the employee (resignation). Dismissal can either take place with or without a good cause (meaning the employee is dismissed because of dishonesty, improper conduct, criminal sentencing, etc.). When there is no ‘good cause’, the employer is still allowed to dismiss an employee, however, the employee is then entitled to a number of rights, including 30 days of prior notice and the release of the FGTS deposits (unemployment fund).

Brazilians have freedom of association to professions and trade unions. Unions represent the general interests of its members as a group or individually by entering into collective bargaining or agreements.

Every employee has to be covered by social security insurance. For example, the employer is obligated to take a work accident insurance for all its employees from the Brazilian Social Security Institute. Another social security is the compulsory unemployment fund (FGTS). This system entails that the employer has to deposit 8,5% of the previous month's compensation into a blocked bank account which is released when an employee is unfairly dismissed.

The law states that the minimum working age is 16 years. Still child labour is a widespread problem. In 2008, there were 2,5 million children between 5 and 15 years working in the Brazilian economy. About half of child workers received no income. In practice few employers are fined for employing children. The government implemented programs to prevent child labour. (Dutch Ministry of Economic Affairs, 2010) (LexUniversal, 2002) (Worldwide Consulting Group, 2004) (U.S. Department of State, 2009).

TAXATION POLICY

Brazil's tax system is based on the constitution introduced in 1988 with the return of the democracy, but faced a lot of changes during the years. The changes were necessary as a reaction on problems Brazil faced like public deficit, inflation control, fiscal adjustment and globalisation. To keep inflation low, the government kept interest rates extremely high for a long time and was thus heavily indebted. Most taxes are very high nowadays in order to be able to fulfil all those financial liabilities (Souza, 2005).

Four of the five most important taxes are raised by the federal government, including income taxes (16%), social security contribution (16%) and contributions for the social security system (12%). Another important tax is earned by the individual states, i.e. the value-added, communication and transportation tax (23%).

Brazil is characterised by inequality among people and among states, causing social unrest and high crime levels. The taxation system stimulates an informal economy, in which tax is evaded and social differences remain large. Because of inequalities among states, these states have been fallen into a mutual competition to attract businesses. This makes intranational trade very complex (Serra and Afonso, 2007).

MONOPOLIES

For a long time, Brazil had a national economy which was not based on competitive standards. A large part of the economy was managed by state or controlled indirectly by sanctioned private monopolies. In 1962, a first law was introduced to establish a regulating agency. After the reestablishment of democracy, the government tried to enhance competition in sectors that were still uncompetitive like petroleum and gas, energy and telecommunication.

The Brazilian antitrust authority consists of both an economical part to investigate market effects and a legislative part (SDE), having a prosecutorial role and is part of both the ministries of Finance and Justice. Remarkable is that two third of the antitrust violations come from the healthcare sector nowadays (Pereira et al., 2008).

BUREAUCRACY

Bureaucracy is widely reflected in Brazilian society. Citizens in Brazil experience this bureaucracy every day. When you have to arrange something where the government is involved, you have to reckon with long waiting times, many procedures and much paperwork. In order to get things done faster, people often have to pay kickbacks, a form of corruption. People face bureaucracy on various occasions (Nascimento 2010) (Entrepreneurship 2010) (2008) (Canada 2010). The government established a ministry of debureaucratisation, but the situation hardly improved since then. Bureaucracy is also characteristic for countries that suffer from corruption. It is like a vicious circle: regulations are needed because people tend to be corrupt, but on the other hand, loads of paperwork & long waiting times make people willing to pay kickbacks.

CORRUPTION

Brazil is notorious for its corruption, as well in politics as in daily life. The corruption perception index (CPI) is an international indicator for the extent to which people experience corruption through public organizations and politicians, 0 is highly corrupt and 10 is not corrupt. As can be seen in Table 1, the score for Brazil differs

between 3.5 and 4.0 over the past 10 years. The score for the Netherlands fluctuates from 8.7 to 9.0 (Transparency 2010). Researchers think that corruption in Brazil is slowly decreasing, because several organizations are fighting corruption and because the press frequently reports of corruption scandals. It seems that people do not think corruption is part of the Brazilian daily life anymore (Soong 2002) (SustainAbility 2006) (Pachon 2008).

It can be stated that corruption can only exist in a society that accepts it. This is more or the less true for Brazil. The country has a history of corruption and nepotism. For the poor Brazilians, corruption is in many situations the only way to get something done. For example, police officers do not get paid much and are therefore easy to bribe. People also know they have to pay extra to get helped fast by administration offices.

Table 1 - Corruption perceptions index compared (Transparency International,2010).

Year	Brazil	Netherlands
2009	3.7	8.9
2006	3.3	8.7
2003	3.9	9.0
2000	3.9	8.9

CONCLUSION

To conclude, Brazil and Brazilian politics have moved steps towards sustainable development but there is still a long walk to go. For the last years the political situation has been stable, but there are still problems with corruption and bureaucracy. Under the presidency of Lula da Silva, a lot of things changed in a good way especially for the poorer people. However, there are still concerns with respect to human rights and criminality. Thereby Brazil has taken steps in environmental measures such as stimulating green energy, but conversely the hydro-electric facilities and biomass plantations bring severe damage to the Brazilian environment.

Table 2 summarizes political issues addressed in the text, comparing Brazil and the Netherlands.

Table 2 comparison table politics

	Brazil	Netherlands
Political system	Federal presidential republic	Parliamentary constitutional monarchy
Voting age	16	18
Voting	Compulsory	Non-compulsory
General voting rights since	1988	1919
Freedom of speech and press, freedom of peaceful assembly and association, freedom of religion and freedom of movement	Provided by law	Provided by law
Police violence	Common	Not present
Prison conditions	Poor	Acceptable
Production bio fuel	Leading position	No production
Share renewable energy in	45%	9%

electricity		
Legislation restrictions pollution	Not strict and incomplete	Established
Stability taxation system	Developing	Established
Monopoly legislation	Established	Established
Employment contract needs to be on paper	No	Yes
13th salary	Obligatory	Optional
Weekly remunerated rest period	Yes	No
Paid vacations	Yes	Yes
Ranking on the World Bank's Doing Business list of countries of 2009. (The World Bank, 2009)	125	26
Corruption Perception Index 2009	3.7	8.9

REFERENCES

- International bussines agency Canada. (2010). International Business Information, Brazil, Economic Overview.
- Carneiro, P.A., Umbuzeiro, G.A., Oliveira, D.P., & Zanoni, M.V.B. (2009). Assessment of water contamination caused by a mutagenic textile effluent/dyehouse effluent bearing disperse dyes. *Journal of Hazardous Materials*, 174, 694 – 699.
- Dutch Ministry of Economic Affairs (2010). *Brazil*. Retrieved on March 14th, 2010, from Ministry of Economic Affairs - Agentschap NL Web site: <http://www.evd.nl/home/landen/landenpagina/land.asp?land=bra>
- Dutch Ministry of Economic Affairs. (2010, January 11). *Brazil: Labour Laws*. Retrieved on March 6th, 2010, from Ministry of Economic Affairs - Agentschap NL Web site: <http://www.evd.nl/home/landen/landenpagina/land.asp?bstnum=87054&land=bra&location=/home/landen/landenpagina/land.asp?land=bra&highlight=>
- International Entrepreneurship. (2010). Brazilian Entrepreneurship. Retrieved February 2010 from: http://www.internationalentrepreneurship.com/south_america_entrepreneur/brazil_entrepreneur.asp
- Groot, K. (1991). De Brazilianen. Geschiedenis van 1889 tot nu: Muiderberg: Dick Coutinho. 1991
- Rex A. Hudson, ed. (1998). *Brazil: A Country Study*. Washington: GPO for the Library of Congress, 1997."Historical Study." Retrieved 2010 from <http://countrystudies.us/brazil/3.htm>
- LexUniversal. (2002, June 17). *Labor Law in Brazil*. Retrieved on March 7th, 2010, from LexUniversal Web site: <http://www.lexuniversal.com/en/articles/908>
- Links2Brazil. (2010). Politiek. Retrieved February 2010 from <http://link2brazil.com/politiek/>
- Ministério de Minas e Energia (2006). *Brazilian energy balance*. Brazilian Federal government.
- Nascimento, E. L. (2010). Red Tape Addiction. Retrieved March 2010 from <http://www.brazil.com/pages/cvrnov96.htm>
- Olson, M. (2010, 9 february 2010). Controversial Belo Monte Dam Approved for Amazon. *The Rio Times*. Retrieved from <http://riotimesonline.com/news/front-page/controversial-belo-monte-dam-approved/>
- Osava, M. (2006). CHALLENGES 2005-2006: Corruption in Brazil - Old Tricks, New Dogs. Interpress service News agency. Retrieved on March 15th, 2010 from <http://ipsnews.net/news.asp?idnews=31688>
- Pachon, M. (2008). Review of Brazil's Judiciary. *Politics and Institutions of Latin America*.
- Pereira, A.A., Pinto, G.N., & Paulo, J.E.G. de (2008). Who must fear the Brazilian antitrust authority? The control of cartels and monopolies in Brazil during the last 10 years (1998 - 2007). Retrieved March 18th, 2010 from <http://ssrn.com/abstract=1120604>
- Pousa, G.P.A.G., Santos, A.L.F., & Suarez, P.A.Z. (2007). History and policy of biodiesel in Brazil. *Energy policy*, 35, 5393 – 5398.
- Rosa, L.P., & Lomardo, L.L.B. (2003). The Brazilian energy crisis and a study to support building efficiency legislation. *Energy and buildings*, 36, 89 – 95.
- Serra, J., & Afonso, J.R.R. (2007). Riscal federalism in Brazil: an overview. *Cepal review*, 91, 29 – 51.
- Soong, R. (2002). Political Corruption in Brazil. Zonalatina, retrieved February 2010 from <http://www.zonalatina.com/Zldata245.htm>
- Souza, C. (2005). Brazil's tax system: the dilemma of policy reform. Focal Policy Paper. Retrieved March 18th, 2010 from www.focal.ca/pdf/brazil_tax.pdf
- SustainAbility. (2006). *Brazil – Country of Diversities and Inequalities*. Retrieved February 2010 from http://www.sustainability.com/researchandadvocacy/reports_article.asp?id=420

Transparency International (2010). Corruption Perceptions index. Retrieved February 2010 from
http://www.transparency.org/policy_research/surveys_indices/cpi/2009

The World Bank. (2009). Doing Business 2009: Country Profile for Brazil.

U.S. Department of State. (2009, February 29). 2008 Human Rights Report: Brazil. Retrieved on March 13th, 2010, from U.S. Department of State Web site: <http://www.state.gov/g/drl/rls/hrrpt/2008/wha/119150.htm>

Verifor (2006). Case study summary 5 Brazil. Retrieved March 15th, 2010 from
<http://www.verifor.org/background/case-studies/brazil.html>

www.wood-it.be. *Tempo ontbossing in Braziliaanse amazone op nieuw tempo ontbossing in Braziliaanse amazone op nieuw*. Retrieved March 2010 from
<http://www.wood-it.be/Editor/EditorDetail.asp?Lang=NL&idNews=2103&Select=News>