

1 YEAR OF JAIR BOLSONARO

By THE
BRAZILIAN
REPORT



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About the Brazilian Report

The Brazilian Report is a subscription-based news website that delivers in-depth coverage about the changing face of Brazil's politics, economics, and society in English.

Every day, we deliver unbiased stories by award-winning journalists with previous experience in renowned publications such as *Veja*, *Folha de S.Paulo*, *The Telegraph*, *Al Jazeera*, *BBC*, *Reuters*, and *Radio France Internationale*, among others.

We offer an insider's look into Brazil, while also providing context and unmissable analysis. Back in June 2017, while the Brazilian press (and international publications even more so) treated Jair Bolsonaro as a mere joke candidate, we [placed him as a serious contender](#), someone who could realistically win the presidency.

That's because we rely on our own investigation and experience—which has attracted embassies, consulates, think tanks, and foreign media correspondents to subscribe to our website and premium daily newsletters.

As an independent media outlet, we are grateful for your support, and hope you will recommend **The Brazilian Report** to your friends and coworkers.

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The first 12 months

On January 1, Jair Bolsonaro was inaugurated as Brazil's 38th president. The task ahead of him was a veritable Rubik's cube – a polarized and deeply unequal country, with a sluggish economy, infrastructure deficiencies, low education performance, and falling investments.

Mr. Bolsonaro rose from being a longtime backbencher to taking the highest office in the land by capitalizing on Brazilians' frustrations, and gambling on an anti-establishment platform. Much like Donald Trump in the U.S., Mr. Bolsonaro gained popularity by promising to “drain the swamp,” and to lead an administration that would be “more Brazil, less Brasília.”

Now, one-quarter of his term is in the books. How did he fare?

As expected, Mr. Bolsonaro's tenure has been highly controversial and delivered mixed results. But it is true that very few presidents – if any – would have a stellar body of work to show for themselves after only one year in office. At the beginning of his term, Luiz Inácio Lula da Silva battled two years of weak economic results, protests, and corruption scandals. Eventually, he would benefit from a commodities boom that allowed his administration to give scale to cash transfer programs – making him the most popular politician in Brazilian history.

We're not suggesting Mr. Bolsonaro is on the path to become a political phenomenon in the same way Lula did, but it is worth pointing out that, for better or worse, the president's legacy is still in the making. It remains too soon to determine how good (or bad, depending on one's perspective) he will be.

In this eBook, we assess Mr. Bolsonaro's first year in office by using charts and analysis based on four axes: politics, economics, environmental issues, and foreign affairs. The texts will give you an overview of what the past year has been like in Brazil – and what to look out for in 2020. For a deeper dive into Brazil, make sure you subscribe to **The Brazilian Report**.

We hope you enjoy your read.

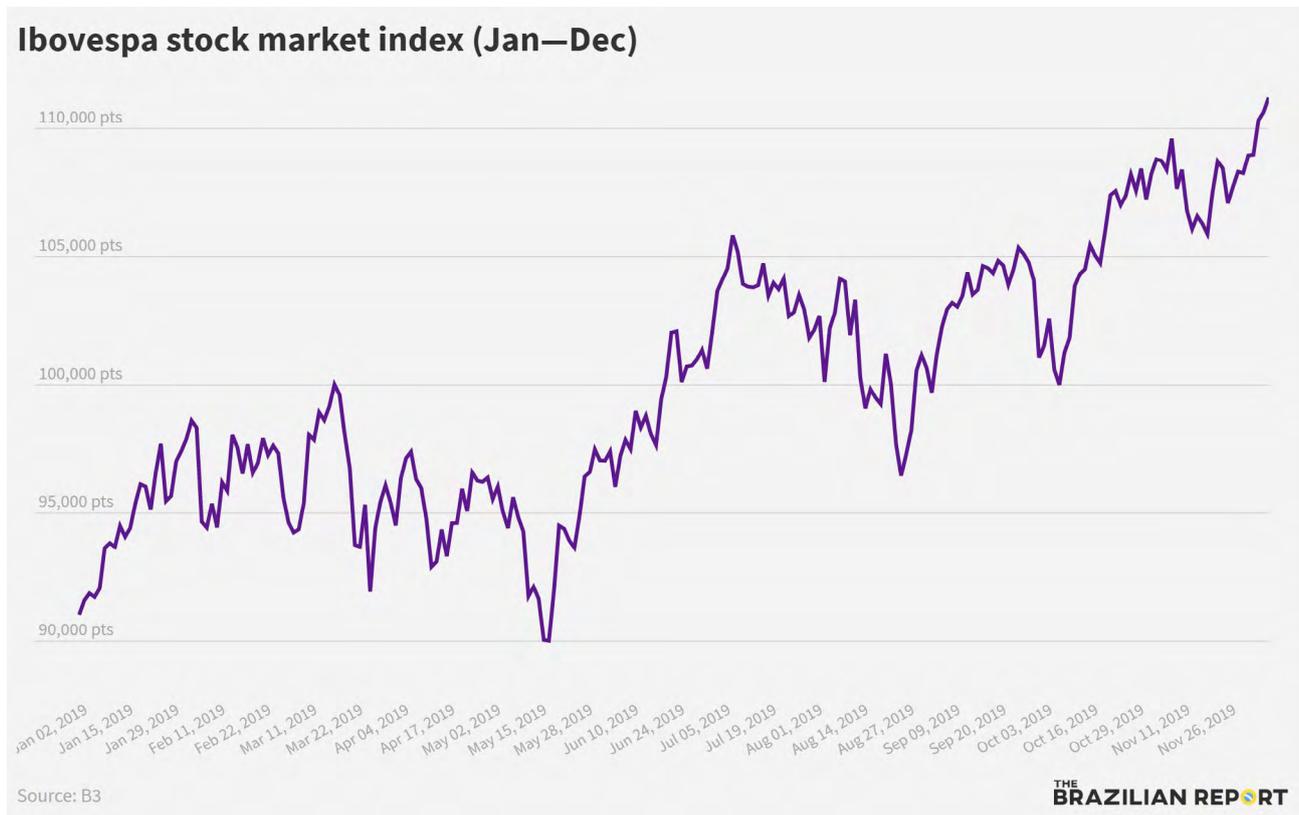
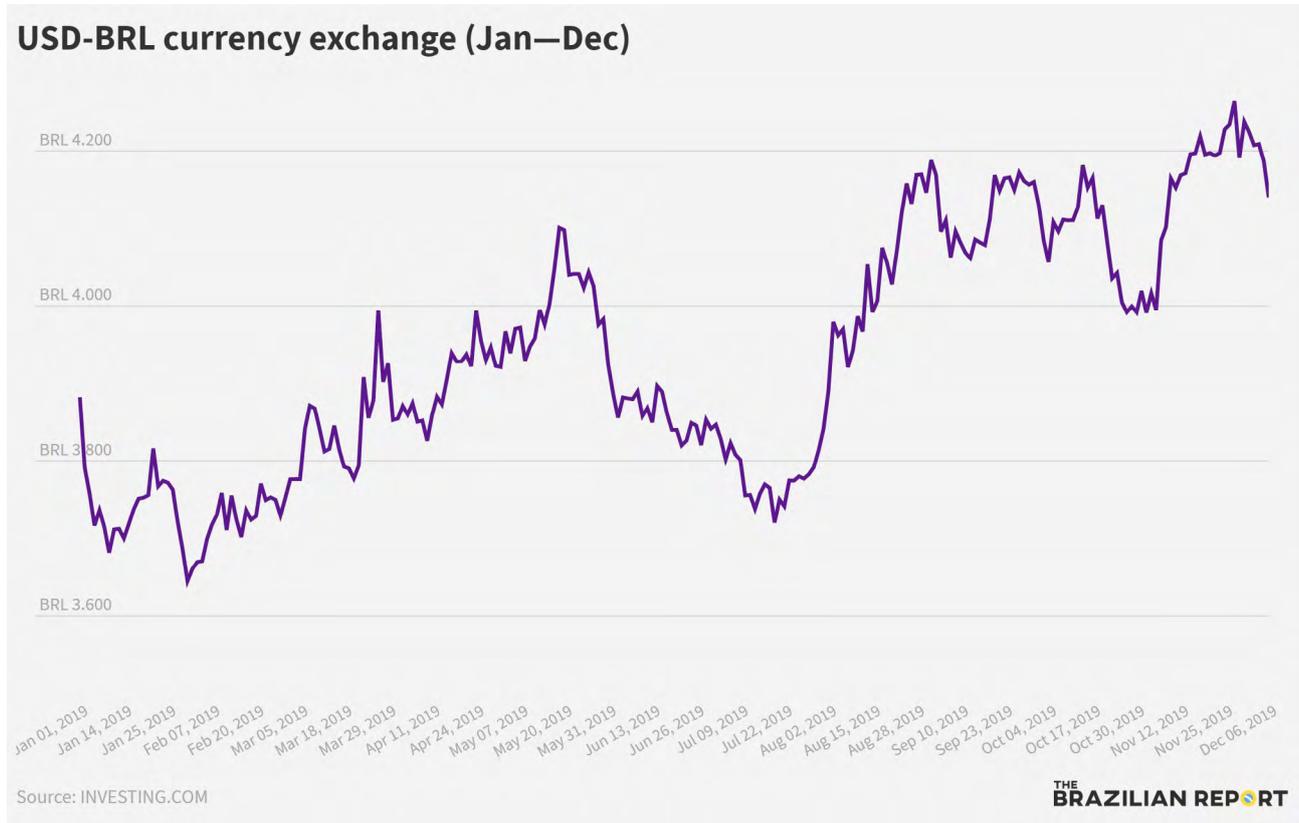


If you prefer listening to our analysis, you can listen to the 90th episode of the Explaining Brazil podcast. We spoke to two experts to break down what has gone right, and what has gone wrong: Carlos Goes (Ph.D. researcher at UCSD, formerly at IMF) and Claudio Couto (Fundação Getulio Vargas).

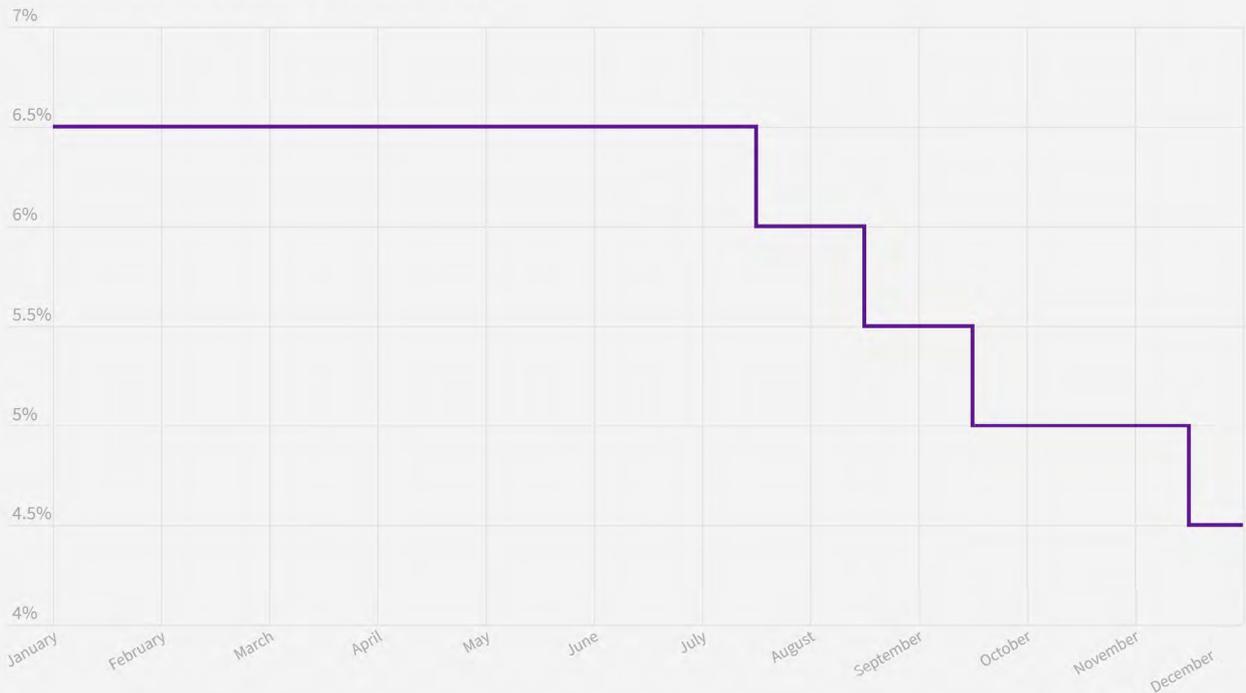
Gustavo Ribeiro
Founder, editor-in-chief

2019 by the numbers

* Disclaimer: units change from chart to chart



Benchmark interest rate in 2019



Source: CENTRAL BANK

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Inflation rate in 2019

Accumulated in the year

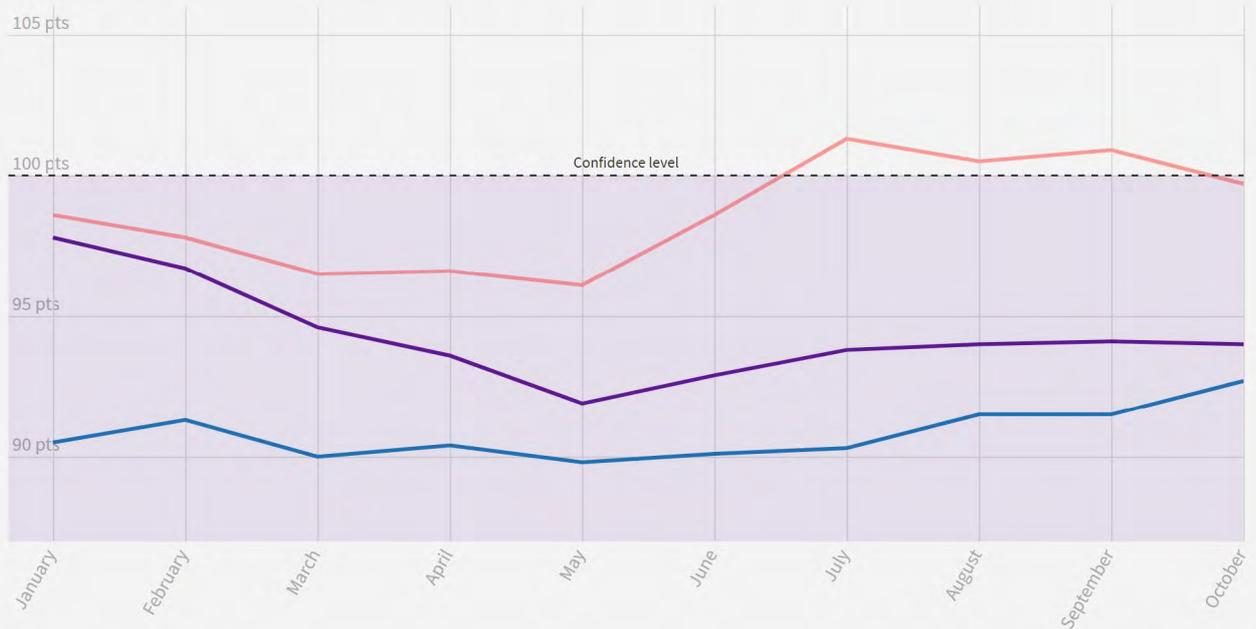


Source: CENTRAL BANK

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Trust levels in the economy among business owners

Trust levels Assessment of current situation Expectation index

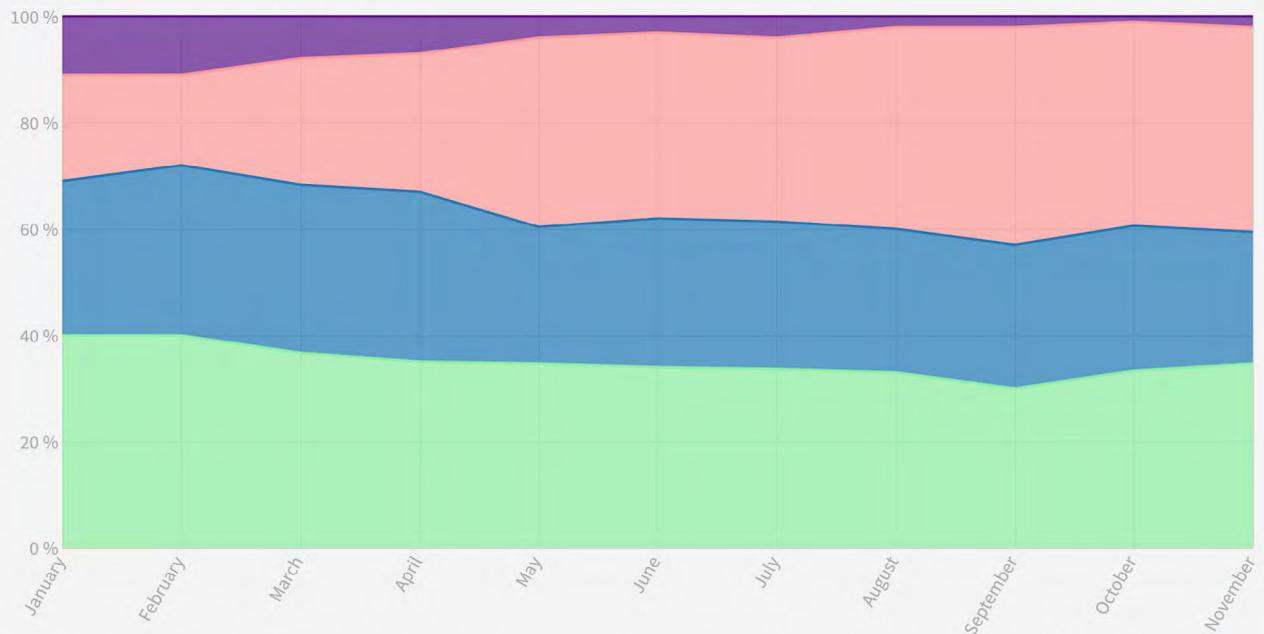


Source: IBGE

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Bolsonaro's approval ratings show a polarized Brazil

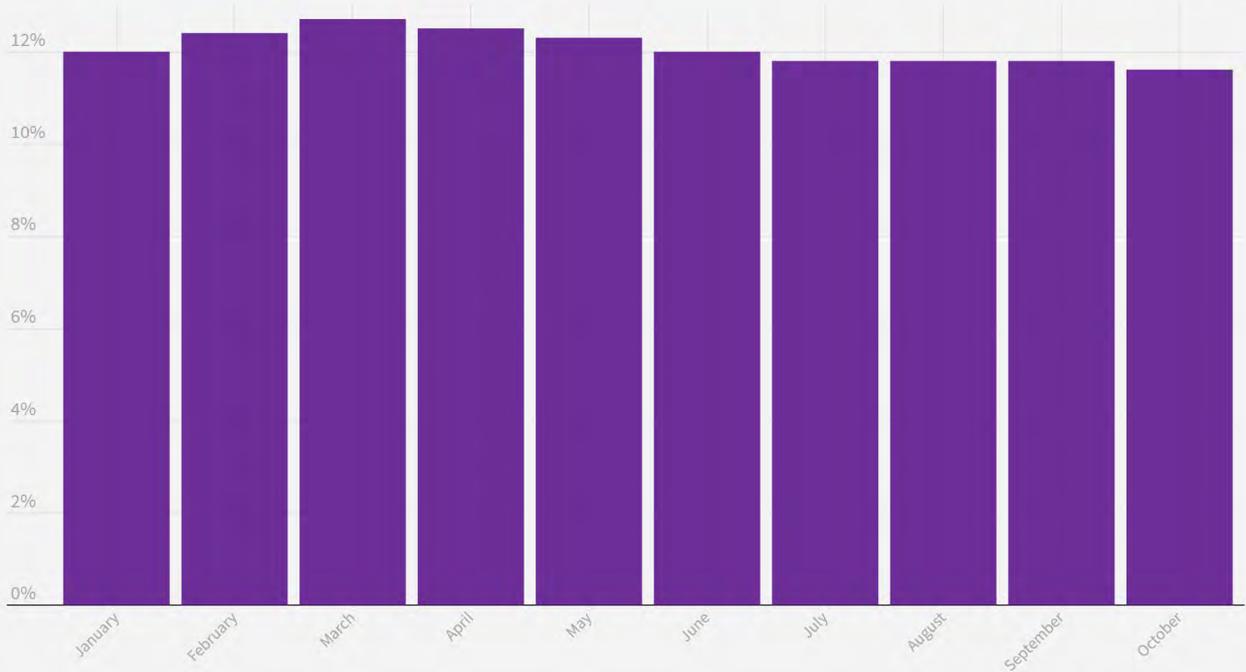
Good/Great Just OK Bad/Terrible No answer



Source: XP/ipespe

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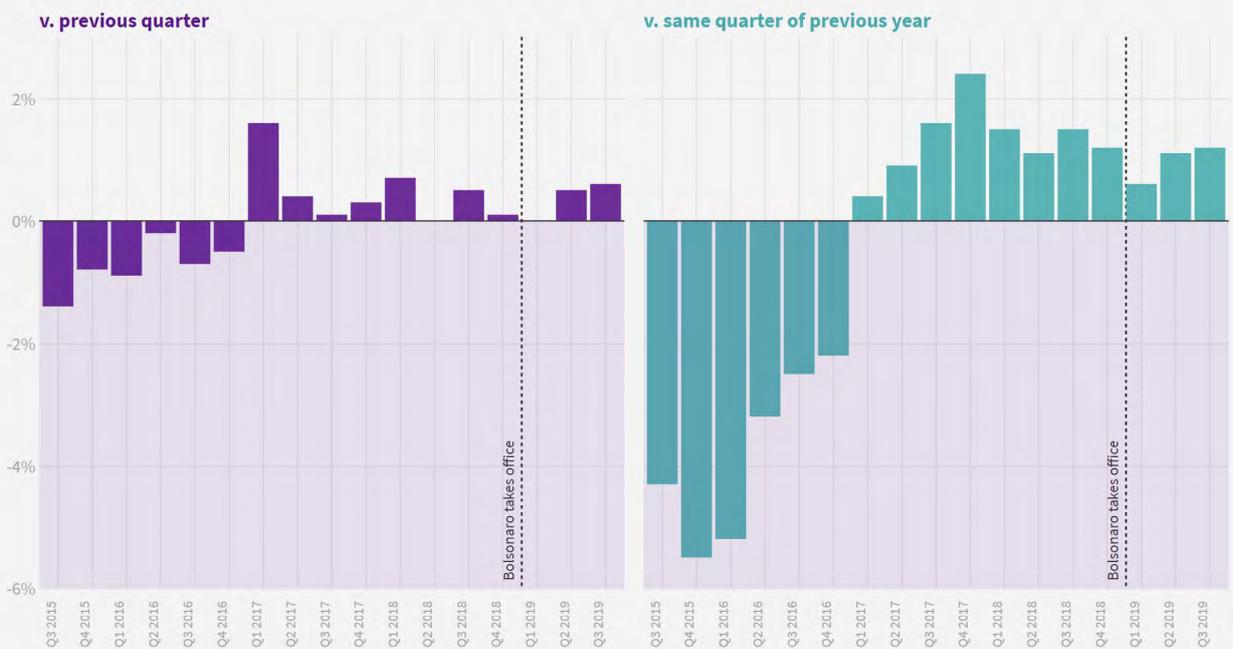
Unemployment rates under Bolsonaro



Source: IBGE

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GDP growth: slow but steady



Source: IBGE

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How successful has Jair Bolsonaro been in implementing his agenda?

When Jair Bolsonaro won the election in 2018, we spoke to experts to try and predict which kind of Congress he would have to deal with. They predicted a supportive legislature, with one caveat: Mr. Bolsonaro would have to make concessions to Congress from time to time. And while the president had an on-again, off-again relationship with the legislative branch, he did manage enough support to pass Brazil's most comprehensive pension reform to date.

PENSION REFORM

The overhaul of the country's super-expensive pension system was considered to be the cornerstone of the [economic agenda of Economy Minister Paulo Guedes](#). After eight months of negotiations in Congress, the government finally managed to pass a reform that will allow for roughly BRL 800 billion in savings for the federal budget within ten years – considered a success.

Progress 

'MORE BRAZIL' PLAN

Economy Minister Paulo Guedes presented a plan to completely [overhaul the structure of the Brazilian state](#) to make public administration more sustainable. It has been labeled as the boldest such undertaking since the [creation of the Real as Brazil's currency](#) in the 1990s. It involves halving tax breaks for companies, and even merging small municipalities which can't finance themselves.

Progress 

SCRUTINIZING PENSIONS

The government claims that a sizeable part of Brazil's social security funds falls through the cracks as a result of fraud – and that a thorough scrutiny of the system would allow for savings of BRL 9.8 billion. President Bolsonaro signed a decree ordering this review in January, and it was approved by Congress in June. The operation has canceled the benefits of over 260,000 people since its inception.

Progress 

BONUS FOR BOLSA FAMÍLIA

[Bolsa Família](#) is considered to be one of the most-successful cash transfer programs in the world, helping millions to escape from extreme poverty. As a candidate, Mr. Bolsonaro promised to create a 13th annual payment for the benefit – which he has done. The caveat? The Economy Ministry is not sure if the federal administration has enough room in the budget.

Progress 

ANTI-CRIME BILL

Once the face of Operation Car Wash – the biggest anti-corruption probe in Brazilian history – Justice Minister Sergio Moro presented [a bold reform to Brazil's penal system](#), approved by the House early in December. Key parts of the proposal were slashed, such as exempting cops who kill in action from punishment, and prison sentences being executed after a first failed appeal. The Senate approved the bill in a final vote mid-December. At the time of writing, the proposal awaits sanctioning from President Bolsonaro

Progress 

REDUCING GUN CONTROLS

Jair Bolsonaro [tried to loosen gun controls](#) by way of presidential decrees – but Congress chose to strike them down. The government, then, proposed the same changes as a regular bill in June, which has since been sitting in a drawer somewhere in Congress.

Progress 

CENTRAL BANK INDEPENDENCE

The government has proposed to establish the [independence of the Central Bank](#) in law, in order to curb the political use of monetary policy by sitting administrations. The bank's board of directors would be named for terms that do not coincide with the Brazilian President – who would also not be able to simply pull them from their office.

Progress 

“ECONOMIC FREEDOM”

This government's [push for anti-bureaucracy legislation](#) has been one of this administration's most consequential moves so far. It aims at reducing bureaucracy and fostering business activities by reducing operating license requirements for “low-risk” economic endeavors, forbidding the state from passing any new legislation that “harms competition,” and establishing that companies cannot be punished for crimes committed by their controllers – who will be held personally liable for their actions.

Progress 

JERUSALEM EMBASSY

Following Donald Trump's lead, Jair Bolsonaro promised to transfer Brazil's embassy in Israel from Tel Aviv to Jerusalem. The move sparked backlash from Arab-majority countries – which are major buyers of halal meat from Brazil. In the end, the government announced [opening an office in Jerusalem](#), and talks of shifting the embassy went quiet.

Progress  STALLED

PRIVATIZATIONS

Economy Minister Paulo Guedes has always been vocal about his intention to privatizing every single state-owned company in Brazil. Some are indeed struggling badly, such as [Correios](#) (postal service) and the [Brazilian Mint](#). But so far little has advanced, with the government failing to get congressional support on these issues.

Progress  STALLED



POLITICS

Some advances... despite the government

Brazil is home to the world's most-fragmented legislature, forcing presidents to reach deals with ideologically opposed parties in order to form broad coalitions. These coalitions are often based on horse-trading, and no administration has gone by without facing corruption scandals. During the campaign, Jair Bolsonaro promised to break with this system, known in Brazil as “coalition presidentialism.”

He has been [largely true to his words](#), ignoring efforts to seek a ruling coalition, instead choosing to reach deals for specific bills, as was the case with the pension reform. That approach has made it more difficult for the government to whip votes on a consistent basis – and has limited the administration's power to promote its own agenda. Even successful projects only prospered thanks to the personal efforts of [House Speaker Rodrigo Maia](#), who – despite [distancing himself from the president's image](#) – has supported pro-market bills.

Corruption scandals. Prior to taking office, Mr. Bolsonaro faced corruption investigations within his inner circle, with his eldest son, Senator Flávio Bolsonaro, suspected of running a money-laundering ring while he served as a state lawmaker in Rio de Janeiro. The Bolsonaros tried to suppress the probe on a technicality, but a [recent Supreme Court decision](#) guaranteed that won't happen.

New party. Jair Bolsonaro joined the Social Liberal Party in 2018 for one reason: it was the only party ready to launch him as a presidential candidate. But the union didn't last for long, with the president's group clashing with the traditional top brass of the party for the control over campaign funds. In the end, Mr. Bolsonaro decided to leave and [create his own far-right party](#), the Alliance for Brazil – which has “Judeo-Christian values,” opposition to gun control, and ultra economic libertarianism as its cornerstones.

Gambling on polarization. Despite being in power for a year, Jair Bolsonaro is still acting like he is on the campaign trail – with every public appearance transformed into a personal rally. He has focused on stirring up divisions, continuing to portray himself as the antithesis of Workers' Party leader Lula – who was released from prison in November. The strategy has been effective in [securing him the support from a core group](#) of around 20 to 25 percent of voters – but it hasn't been enough with the broader electorate, as Mr. Bolsonaro is the least popular president in history after one year in office.

What's to come? [Brazil holds municipal elections in 2020](#) – and all the attention of congresspeople will be devoted to their constituencies from June forward, which will make it harder for the government to pass controversial matters. Especially if the president continues with his stance of not forming a coalition. Proposals such as the overhaul of the Brazilian state, and the reduction of benefits for public servants are unlikely to pass in 2020.



ECONOMY

Conditions have improved, but too soon to call a victory

Despite political hiccups, the government managed to oversee the approval of the [boldest pension reform ever passed](#) in Brazil. That was only possible thanks to the alignment of Economy Minister Paulo Guedes and House Speaker Rodrigo Maia (who controls the House's agenda-setting powers), which will be key to the future of Mr. Guedes' proposals, as most of them call for constitutional changes.

Privatizations. Mr. Guedes intends to privatize 138 federally-owned companies. While that is impossible in just four years, the government managed to continue projects [inherited from the Michel Temer administration](#), selling off 35 assets in 2019 for a total of BRL 90.7 billion in auctions, and BRL 442 billion in future investments. The government now hopes to privatize Correios (postal service) and Eletrobras (energy).

Oil & gas. November's [transfer of rights oil auctions](#), advertised as the biggest in the world, ended as a political flop. Expected revenue was of BRL 106 billion, but sales only generated BRL 69.96 billion – of which 90 percent came from state-owned company Petrobras. That made the government rethink [the "sharing" model](#) created in 2010, which forces companies to share their profits with the Brazilian state throughout the term of the project.

Telecoms. After over three years of stalling, the [new legal framework](#) for telecom companies has finally passed in Congress. It replaces the [current model](#), which is based on public concessions for landline telephone operators, for one of operating authorizations, which would give companies more freedom to set prices and choose the regions in which they want to work.

What's to come? Proposals such as the overhaul of the state, or even a tax reform, are perhaps too contentious to pass in an electoral year such as 2020. But a few regulatory changes are considered urgent by the political establishment:

- . **5G.** Expected for late 2020, the [auction of 5G frequencies](#) could put Brazil in an uncomfortable position between its two main trading partners: China and the U.S. The White House wants Brazil to ban [Chinese giant Huawei](#) from the auction – saying it poses a security threat.
- . **Sanitation.** [Only half of Brazilians](#) have access to proper sanitation services, and many defend opening up the market to private players – which could bring [BRL 700 billion in new investments](#). A bill to update regulations is [currently processing in Congress](#).
- . **Energy.** The lower house has created a special committee to propose a new, comprehensive regulation for the energy sector, in order to foster investments and lower costs. In 2019, the committee held several public hearings and is expected to continue its work in 2020.



ENVIRONMENT

Open season on the Amazon

Of all the sectors of the Jair Bolsonaro government, the environment is perhaps the one which has undergone the most changes in 2019, a year also marred by a series of ecological tragedies. Meanwhile, experts consulted by **The Brazilian Report** – including former Environment Minister [Marina Silva](#) – say that the worst is yet to come.

Brumadinho. 2019 got off to a horrific start with the [collapse of an iron tailings dam](#) in the town of Brumadinho on January 25, killing over 250 people. The [government response](#) was reasonably swift, ordering the [decommissioning](#) of notoriously precarious “upstream” dams. However, in the face of reports suggesting the tragedy had [contaminated the nearby Paraopeba river](#), the official water agency rubbished the evidence.

Denial. [Butting heads with the scientific community](#) has been a hallmark of the first 12 months of the environmental administration. After [alarming deforestation numbers](#) were released by the National Institute for Space Research (Inpe) in July, the government denied the figures and [fired Inpe director](#) Ricardo Galvão. Later in the year, despite plenty of evidence to show it is severely harmful to the environment, the government signed a decree to allow the [cultivation of sugarcane](#) in the Amazon and Pantanal.

Fires. The headline issue of 2019 was the strong surge in [fires in the Amazon](#) in the middle of the year – and the [government’s handling](#) of the crisis. Jair Bolsonaro spouted a lie that “NGOs” [had started the fires](#) to cast his administration in a bad light. Pressure from the international community caused environmental woes to spill over into Brazil’s diplomacy, falling out with [France](#), [Germany](#), and [Norway](#), among others.

What’s to come? The overriding feeling among Amazon experts is that the worst is yet to manifest itself. The first year of the Jair Bolsonaro government has seen the dismantling of Brazil’s environmental protection agencies. Departments related to climate change and the Amazon have been scrapped, the Brazilian Forest Service was transferred to the Ministry of Agriculture, the oversight work of environmental agencies has been inhibited, and indigenous land demarcations have stopped dead. We are already seeing some of the effects of this bulldozing of protections, but the expectation is that with less and less oversight, more and more atrocities will occur in the world’s biggest rainforest.



What is Brazil's place in the global arena?

Brazil's foreign policy under Jair Bolsonaro has put “America first,” with the president preaching total alignment with the White House. His diplomacy is spearheaded by his Foreign Minister Ernesto Araújo, a controversial diplomat who once wrote that Donald Trump could “save the West from its own mess.” Mr. Araújo abides by the teachings of **Olavo de Carvalho**, a self-proclaimed philosopher who believes that Pepsi Cola is sweetened with the cells of aborted fetuses, and works closely to Congressman Eduardo Bolsonaro, the president’s third-eldest son.

America First? Mr. Bolsonaro gloats of having a **close friendship with Mr. Trump**, though some would call it an abusive relationship. In bilateral meetings, **Brazil caved to many of the U.S.’s demands**, such as giving up its status as a developing nation at the World Trade Organization and agreeing to more access for American pork and wheat in Brazil. In return, the U.S. would vouch for Brazil to become a member of the Organization for Economic Co-operation and Development (OECD). But when push came to shove, the **White House only backed the accession of Argentina and Romania**. In December, Mr. Trump announced he would **raise tariffs on Brazilian steel** as punishment for what he considered to be **a voluntary effort of the Brazilian government to devalue its currency**, which was not the case.

What about China? As a candidate, Mr. Bolsonaro didn’t miss an opportunity to bark at Beijing, denouncing **massive investments from the Asian giant** as threats to Brazil’s sovereignty. But as president, he adopted a more pragmatic stance on **Brazil’s top trading partner**, including a visit to Beijing and Shanghai. In November, Mr. Bolsonaro played host to Xi Jinping during the **11th BRICS Summit**, and said **China is “part of Brazil’s future.”**

Mercosur. Since election day, Mr. Bolsonaro and his Economy Minister Paulo Guedes have said that Mercosur, the South American trade bloc, **would not be a priority**. In 2019, Brazil threatened to pull out from the group due to the fact that Mercosur has never blossomed into a true free-trade union (which is true). Mr. Bolsonaro’s administration has also **picked fights with leftist leaders in the region**, which can hamper much-needed **cooperation with neighbors** in matters such as fighting drug trafficking and environmental issues.

Trade. The Bolsonaro administration oversaw the signing of a **trade deal between Mercosur and the European Union**, one of the biggest in history. The deal helps **South America’s agricultural exports**, and boosts industrial imports. Following **massive protests** from agricultural producers across Europe, nations such as France and Austria said they wouldn’t ratify the deal unless Brazil radically changes its environmental policies.

Tourism. Brazil decided to **lift visa requirements** for tourists from the U.S., Canada, Australia, and Japan. The government later announced a similar move for Chinese and Indian tourists.

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