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FEATURED Q&A

What Does Lula's Political Comeback Mean for Brazil?



Brazilian voters on Sunday returned Luiz Inácio Lula da Silva to the country's presidency. It was a stunning political comeback for the leftist, who led the country for eight years and afterward spent more than a year in prison. // File Photo: Facebook Page of Luiz Inácio Lula da Silva.

Q **Luiz Inácio Lula da Silva defeated incumbent President Jair Bolsonaro in Sunday's runoff election to return to Brazil's presidency, which Lula previously held from 2003 to 2010. The victory, by a margin of fewer than two percentage points, capped a stunning political comeback for Lula, who was imprisoned for 580 days in 2018 and 2019 after being convicted of corruption and money laundering. To what can Lula attribute his victory, and what will be the most significant changes he will make as president? How likely are Bolsonaro—and his supporters—to accept defeat? How well will Lula be able to work with Brazil's Congress, where Bolsonaro's supporters increased their representation in this year's legislative vote? In what ways will Bolsonaro continue to influence Brazilian politics?**

A **Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue:** "Brazil's political drama continues. Act I ended with Lula's election, albeit by an unexpected, ultra-slim margin. Act II now starts with Bolsonaro's reaction. We were forewarned that he might not acknowledge defeat—and Lula's narrow victory makes it easier to claim, Trump-like, that the vote was stolen and refuse to surrender the presidency. While some important allies have accepted the result, Bolsonaro retains the loyalty of many other political leaders. And he remains capable of inciting protests across Brazil. So far, the country's institutions have shown a significant measure of resilience, however. Many state and local governments, for example, rejected Bolsonaro's indifference to the pandemic. The Supreme Court and the Electoral Tribunal will refuse any demands to rerun the

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TODAY'S NEWS

ECONOMIC

Ecuador's Lasso Taps Santos as Energy Minister

Ecuadorian President Guillermo Lasso on Monday named lawyer Fernando Santos as the country's new energy minister. Santos replaces Xavier Vera, who resigned last week.

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BUSINESS

Mexico Regulator Approves Pemex's Plan to Develop Deepwater Field

Mexico's oil regulator on Monday approved a plan by state oil company Pemex to develop the Lakach deepwater gas field in the Gulf of Mexico.

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POLITICAL

Bolsonaro Expected to Address Nation Today After Loss

Brazilian President Jair Bolsonaro is expected to break his silence today following his loss in Sunday's presidential election to Luiz Inácio Lula da Silva.

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Bolsonaro // File Photo: Facebook Page of Jair Bolsonaro.

POLITICAL NEWS

Bolsonaro Silent a Day After Loss in Brazil Election

Brazilian President Jair Bolsonaro, who made no public statements on Sunday night after losing his re-election bid to former President Luiz Inácio Lula da Silva, maintained his silence on Monday, raising concerns about whether he would accept the election results. Bolsonaro has made no public statements since Sunday so that he could prepare a speech that he is expected to deliver today, Communications Minister Fabio Faria told Reuters. However, it was unclear when exactly he would speak or whether he would concede defeat to Lula, as some of his allies were encouraging him to do, the wire service reported. Also on Monday, truck drivers who support Bolsonaro blocked roads across the country in protest of the results. Video images showed truckers, who have benefited from Bolsonaro's policies such as lowering the cost of diesel, calling for a military coup to prevent Lula from taking office, Reuters reported. Protests broke out in states around the country, including Mato Grosso, Santa Catarina, Paraná, São Paulo, Minas Gerais, Goiás and Bahia. In Brasília, police shut down access to the government esplanade after receiving a tip that the president's supporters were planning to occupy a square in front of the country's Supreme Court, which some Bolsonaro supporters accuse of favoring Lula. In all, 321 protests partially or completely blocked roads in 26 states across the country, Reuters reported, citing Brazil's federal highway police. Alexandre de Moraes, the president of Brazil's Superior Electoral Court, late Monday ordered highway police to "take all necessary measures" to clear the roadblocks and threatened to imprison the chief of the police force if officers did not comply, the Financial Times reported. Brazil's financial markets experienced cautious trading on Monday, with the benchmark Bovespa stock index closing up 1.3 percent and the Brazilian real strengthening against the U.S. dollar.

ECONOMIC NEWS

Santos Tapped as New Ecuadorean Energy Minister

Ecuadorean President Guillermo Lasso on Monday swore in lawyer Fernando Santos as his third energy minister, replacing Xavier Vera, who resigned amid a corruption investigation, El Universo reported. Vera resigned Friday as he is facing allegations of pocketing bribes in exchange for arranging jobs at state oil company Petroecuador. He denies the allegations and said he was stepping down to defend himself against the claims. Santos previously served



Lasso named Santos (L-R) his new energy minister on Monday. // Photo: @LassoGuillermo via Twitter.

as Ecuador's energy minister in 1987 and was a ministerial advisor last year, Reuters reported. He also served as the head of legal affairs at the Organization of the Petroleum Exporting Countries, or OPEC. In taking office on Monday, Santos vowed to increase the country's oil production, which has been a main goal of Lasso's government. "You, Mr. President, have fixed a goal of raising production and we are going to make every effort," said Santos, Reuters reported. "Today we must extract difficult [oil] with scientific means and techniques that require capital and technology," he added. Santos also said that the government must call on "private companies with well-negotiated contracts with win-win conditions." Ecuador currently produces approximately 493,000 barrels per day of oil, and Lasso has said he wants to increase that to 750,000 barrels per day (bpd) by the time his term ends in 2025. Reaching that goal will be a challenge for Lasso's government, Jeremy Martin, vice president of energy and

NEWS BRIEFS

Petro, Maduro to Meet Today in Caracas

Colombian President Gustavo Petro will meet today in Caracas with Venezuelan President Nicolás Maduro to discuss the countries' thawed relations and bilateral trade, Colombia's government said Monday, Reuters reported. Petro and Maduro will also discuss other topics including the reopening of the countries' shared border, the government said.

Costa Rican Vice President Charged in Campaign Finance Case

Costa Rican Vice President Stephan Brunner on Monday said he was charged in connection with his alleged involvement in illegal financing of President Rodrigo Chaves' electoral campaign, Reuters reported. Chaves, who took office in May, and Brunner both deny wrongdoing and have immunity protections while in office. However, those protections could be withdrawn if requested by the Supreme Court and approved by lawmakers. An opposition-backed special commission in the country's Legislative Assembly is investigating the case.

Halting Oil Exploration Would Expose Colombia to Fiscal Risk: Panel

The suspension of hydrocarbon exploration and production in Colombia would expose it to fiscal sustainability risk, the country's fiscal rule committee said on Monday, Reuters reported. Leftist President Gustavo Petro, who took office earlier this year, pledged to halt any new oil exploration in a bid to promote Colombia's green energy transition. He is now considering signing new contracts to boost the country's finances, the news wire reported. According to the Autonomous Fiscal Rule Committee, hydrocarbons represent nearly 40 percent of exports, and 10 to 20 percent of the government's national income.

sustainability at the Institute of the Americas, told the Dialogue's weekly Energy Advisor in a **Q&A** published last Friday. "The time lost and ongoing tensions and industry outages caused by protests and unrest since President Lasso's 2021 inauguration will also surely cost the administration its goal of 750,000 bpd," Martin told the Energy Advisor. "Breaking 500,000 bpd in 2023 is a more realistic target," he added.

BUSINESS NEWS

Mexico Regulator OKs Pemex's Plan to Develop Gas Field

Mexico's oil regulator on Monday approved an amended plan presented by Pemex to develop the previously abandoned Lakach deepwater gas field, Reuters reported. The field in the Gulf of Mexico holds as much as 937 billion cubic feet of gas reserves, which President Andrés Manuel López Obrador has said is crucial in

“This is a huge investment, but also a huge uncertainty.”

— Alma América Porres

supplying the country with gas, despite rising costs. Pemex has recently come under government pressure for its falling rates of production. The state-owned company lacks experience in deepwater ventures, and its flagship Trion oil project is still awaiting investment. "This is a huge investment, but also a huge uncertainty," National Hydrocarbons Commission official Alma América Porres said in a statement. "It's very important that we supervise this [project] very strictly, much more so than others," she added. Ultimately the project was approved following changes to the original plan, with a new price tag of \$1.79 billion, up from original estimates of \$1.5 billion.

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election. Still, if police, who are mostly in Bolsonaro's camp, are unwilling or incapable of controlling potentially massive and violent demonstrations, the Brazilian military may be pressed into action. They could either end the turmoil and pave the way for Lula's presidency, or call for another election. How this plays out is unknown. But the two months prior to the official inauguration date could well be a time of enormous tension and uncertainty. Assuming Lula is inaugurated on Jan. 1, Act III will follow, illuminating the immensely difficult challenges facing his administration. The new president will confront a hostile Congress led by Bolsonaro supporters. The economy is predicted to decline sharply next year. Much of Lula's presidency will have to be dedicated to repairing the damage of Bolsonaro, including the gutting of national institutions in such crucial areas as the protection of the Amazon and the environment generally, education and research, as well as the rights of women, Indigenous groups and Afro-Brazilians (who are half Brazil's population). Lula needs to restore his country's trust in government, even among his own voters, and temper the nation's extreme polarization. He must also rebuild Brazil's reputation as a serious, competent and trustworthy partner across Latin America and worldwide."

A **Joel Korn, president of WKI Brasil and senior international partner at UPITE Consulting Services:** "President-elect Lula's narrow victory was possible primarily by a very high disapproval rating of President Bolsonaro's far-right autocratic government and potential threats that it represented to the country's democratic institutions. Ultimately, the vital importance of preserving democracy and harmony in relations with Congress and the judiciary prevailed. Lula's firm commitment and abilities to promote dialogue with the different political forces will be vital to uniting the population to the maximum extent possible. His pursuit for

a coalition with the parties in the so-called 'center' will be of paramount importance for carrying out his campaign pledge for sustainable economic growth with fiscal responsibility along with social policies that will eradicate hunger, promote inclusion of minorities and provide effective education and health programs. Moreover, Lula is fully committed to conservation and responsible management of the country's biodiversity, particularly in the Amazon rainforest, aiming for zero deforestation. He is also determined to restore the country's pre-eminent position in its foreign relations and active support to multilateral organizations. We should expect Brazil to resume a proactive and constructive role in its ties with other countries, aiming at fostering trade, investment and cooperation in science and technology. Notwithstanding Bolsonaro's difficulties in acknowledging defeat, the transition to the new government-elect will move forward, although with challenges to securing a proper and orderly collaboration with the new team. Lula will count on the support of well-known political leaders, a highly regarded team of economists and private-sector leaders. Unlike the current concentration of power under the Economy Ministry, the economic team is expected to be expanded with the possible restoration of cabinet-level members whom Bolsonaro's administration eliminated and, as already announced, with the reinstatement of the Council of Economic Development. Lula's style and openness for dialogue with all sectors of Brazilian society is expected to reflect positively in the confidence level of investors and consumers."

A **Melvyn Levitsky, professor of international policy and practice at the University of Michigan's Gerald R. Ford School of Public Policy and former U.S. ambassador to Brazil:** "Lula has attained almost mythical status among the lower-middle and lower classes in Brazil. His rise from poverty to trade union leader to president of Brazil in

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addition to popular programs to keep kids in school and assist working families seem to have canceled out the charges and acts of corruption by Workers' Party (PT) officials. Lula will have to overcome the lack of a majority in the Brazilian Congress. He will certainly have difficulty moving legislation through Congress. Bolsonaro's response may well be to stimulate his supporters to oppose anything Lula proposes, looking toward the next presidential election in which he will certainly be a candidate. A major question: will he go the next step and encourage violence in the wake of his defeat? At a minimum, gridlock would seem to be on the horizon."

A **Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:** "Alexis de Tocqueville's spirit must have inspired voters in Brazil's elections. For the first time in the country's history, there will be a system of checks and balances. Indeed, while Lula clearly won the presidency, Congress will be controlled by the right wing. And this perhaps is Bolsonaro's legacy. Before his successful bid for the presidency, the Brazilian right was fractured. He managed to bring it together through the establishment of a new political force, the Liberal Party, which served as a platform to coalesce with other groups, including those that are part of the evangelical churches in Brazil. His right-wing Liberal Party (PL) won 99 seats in the 513-member lower house, up from 77, and right-leaning parties allied with Bolsonaro now control half the chamber. In the Senate, his coalition won 13 of the 27 seats that were up for election this year. By divine intervention, one of the newly elected senators is Sergio Moro, who would never accept any democratic backsliding from

either Lula or Bolsonaro—the two political titans who emerged from this democratic competition."

A **Nicholas Borges, political analyst at BMJ Consultores Associados:** "Lula's small margin of victory was expected because of high polarization. The result reflects a tug-of-war between anti-Bolsonaro and anti-Lula voters, with the first camp winning. Lula inherits a polarized country and will start his administration with high disapproval ratings. The more right-wing-oriented Congress will challenge the president-elect, forcing him to focus on a more pragmatic agenda and leave aside the more left-wing plans of the Workers' Party (PT). Lula will have to engage in dialogue with centrist parties to achieve governability, but in his previous administration, he showed efficiency in building pragmatic alliances with other parts of the political spectrum. Some demonstrations against the election results may happen. Still, the risks of institutional rupture are low because most of the political class may not support such mobilizations. Lula's early challenges will be, first, approval of the 2023 budget (despite not yet being in office, the president-elect will negotiate with Congress a favorable budget for his administration), second, the maintenance of Auxílio Brasil payments at 600 reais despite little leeway in public accounts, and third, the fate of the secret budget, which was essential for governability during Bolsonaro's administration. The president-elect also supports a new fiscal control mechanism to replace the expenditure ceiling, which limits public debt in Brazil. He has not described details about that, but we may know the new proposal in the coming days."

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