

COLUMN

Confidence is warranted: there'll be no "just carry on" in Brazil



Andreas Renschler
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A general election is a Herculean endeavour in Brazil: those required by law to vote make up almost 70 percent of its 210 million inhabitants. In October, the Head of State and Head of Government, 513 Federal Deputies, two thirds of the Federal Senate, and the State Governments and Parliaments of all 27 Federal States are to be elected. And the current political situation is exacerbating matters. Popular parties have been deeply shaken in recent years by a broad reappraisal of corruption. Renowned politicians have been or are currently serving prison terms. The fifth largest country in the world is fragmented because the "tried and tested" is no longer an option yet actual novelty is not to everyone's taste. So it's unsurprising that the upcoming elections are polarising opinion by the day and throughout the land.

This extraordinary state of affairs is putting Brazil to the test: politics must dare to rethink itself. The economy will have to hold its own for some time in uncertain waters. And, what's more, Brazilian society will have to find a new common denominator.

The outcome of any election is always uncertain, but one thing is a foregone conclusion: no matter who wins the election, there will be no simple "just carry on." An ever more open society, a vigilant public, and an economy striving for growth is increasing the drive for political action. Which gives us cause for confidence. As German companies we will continue to require staying power, but Brazil is in a good position to convert its potential into stable growth and to move ahead in the international field. ●

VOICE

Mr Sennes, must one fear the Brazilian elections?



Ricardo Sennes
 Brazilian economist,
 Managing Partner Prospectiva and
 Senior Fellow Atlantic Council

This year's elections are of the utmost significance. The country is in crisis due to tensions created by the rapid socio-economic and institutional progress seen in recent years. This progress has been accompanied neither by a renewal of the political elite nor by a competition-oriented agenda. The 2015/16 economic crisis, as well as various corruption scandals, destroyed the political centre and centre-right, and made room for a populist right-wing extremist candidate: Jair Bolsonaro.

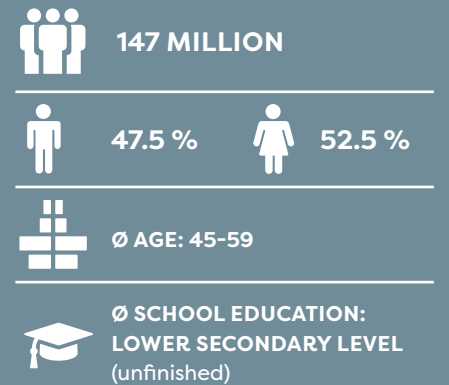
Bolsonaro combines aspects of Chavez from Venezuela and Duterte from the Philippines. A former captain, he entered politics twenty-eight years ago and is currently in his seventh term of office as a Federal Deputy. An apologist for the military dictatorship, he is known for his statements in favour of torture and against human rights, homosexuals and people of colour. His profile in Congress is predominantly against privatisation, budgetary adjustment and economic liberalisation. His economic advisor, however, is an ultra-liberal with a PhD from Chicago University and experience in Pinochet's government in Chile. It is thus unclear what Bolsonaro's platform will actually be should he be elected.

Lula and the PT are no longer the link binding the forces of the centre and centre-left, yet remain the dominant force in this camp. Haddad is smart and has a long-term vision, but has not yet demonstrated his ability to manage complex projects. His performance as Minister of Education was positive, although this is less unconditionally true of his time as Mayor of São Paulo. Bolsonaro and Haddad could go to the second round and Haddad should win. ●

NUMBERS FACTS & MORE

BRAZILIAN ELECTIONS

THE VOTERS



Source: TSE, Prospectiva

KEY DATA

1ST ELECTORAL ROUND | October 7, 2018

2ND ELECTORAL ROUND | October 28, 2018

INAUGURATION | January 1, 2019

THE PRESIDENTIAL CANDIDATES

(a selection)

JAIR BOLSONARO

Right wing
 Former military officer and deputy, focus on internal security, liberal economic agenda despite populist rhetoric.

FERNANDO HADDAD

Centre-left
 Running for incarcerated former president Lula, former mayor of São Paulo, socio-political focus.

GERALDO ALCKMIN

Centre-right
 Former governor of São Paulo, heavily reformist agenda.

CIRO GOMES

Centre-left
 Former governor of Ceará and minister under Lula, focus on growth.

MARINA SILVA

Centre
 Former senator and environmental minister under Lula with a green agenda.

LEAD ARTICLE



Alexander Busch

Correspondent for Handelsblatt, Wirtschaftswoche, Neue Zürcher Zeitung in Latin America

China is strategically expanding its presence in Brazil – in accordance with a detailed plan

For twenty-five years, Alexander Busch has been reporting from Brazil on Latin America for Handelsblatt, Wirtschaftswoche and Neue Zürcher Zeitung. Born in 1963, he grew up in Venezuela before attending the Cologne School of Journalism and studying Economics and Politics in Cologne and Buenos Aires. He is the author of the book "Wirtschaftsmacht Brasilien – Der grüne Riese erwacht" (Economic power Brazil – The green giant awakens).

To put it simply, before the turn of the millennium, China hardly existed as a trading partner, investor or political player in or to South America. The transformation has been swift. And applies most particularly to Brazil. Around fifty-five percent of all direct investments from China to South America have flowed to Brazil in the last decade and a half. They amounted to fifty-four billion dollars. Brazil is the world's number three recipient of Chinese investment. Furthermore, China is now Brazil's largest export market. And also the source of most of its imported products. All of which is no coincidence, but rather the fruit of long-term planning. China is proceeding in South America precisely as the government formulated it in its 2008 and 2016 papers on Latin America and the Caribbean. The rapprochement occurred in three phases.

From 2005 to 2013, China was primarily concerned with securing raw material and energy sources. During this phase, there were large loans to Petrobras against future oil supplies, also investments of Chinese agricultural traders and, increasingly, holdings in ports. In São Paulo, the first of what are now five Chinese banks set up operations, their initial remit that of financing trade with China, although now they also accompany investments.

Phase two is in accordance with the Chinese proverb: "If you want to get rich, build a road." Chinese state-owned companies have been investing in the Brazilian infrastructure for three years now. In 2017 alone, Chinese companies bought into the Brazilian electricity sector to the tune of around ten billion dollars. State Grid is now Brazil's largest integrated power company and China Three Gorges is the country's leading private power producer. And China is showing a flair for timing: its companies

began investing in Brazil when the state and private entrepreneurs there were on the ropes due to the recession and the "Lava-Jato" corruption scandal. When it comes to investments, China is strategic and future oriented: digitisation and the interlinking of investments is only a matter of time. For he who controls electricity grids, roads, railways, ports, and, in the near future, telecommunication networks, has a huge advantage as an investor when it comes to Brazil's digitisation and data communication.

Phase 3 of the investment strategy is now commencing. Three examples: the online department store Alibaba wants to buy the license for the Brazilian freight airport Viracopos. The company intends to set up its logistics centre for Brazil there in order to service a market of two hundred and ten million consumers. The Chinese car and battery manufacturer BYD ("Build your dreams") is currently delivering the first twenty of two hundred electronic lorries to a municipal waste-disposal facility. The company also produces electric buses and solar panels in Brazil. The Chinese competitor to Uber, Didi Chuxing, bought up the Brazilian app 99 for three hundred million dollars at the start of this year, making the Brazilian company the first start-up with a market valuation of over a billion dollars. China wants to integrate Brazil more closely into the value chains of its industry.

The 2016 concept paper also notes how things are to play out; at the level of major politics and through the conclusion of trade agreements; through increased institutionalised cooperation at a ministerial level in Brasília as well as in the Federal States; through public-private investment projects; through intensive contacts with future political leaders; by setting up academic think tanks. Evidence for each of these points is already available.

In just a few years, China has accumulated a vast amount of knowledge about Brazil at its universities and established political networks. After just one decade, Chinese correspondents, diplomats, academics, businessmen and bankers are making discreet but very well-founded appearances in Brazil. They are well networked, speak perfect Portuguese and know all the niceties about Brazilian politics and bureaucracy. Diplomats in Brasília report that their Chinese colleagues come and go at important ministries as if they were at home. In the Ministry of Planning, for example, there is a Chinese-Brazilian technical working group that now, at its third meeting, intends to decide on investments totalling four billion dollars.

China is thus increasingly filling the vacuum left by the USA in Brazil. And by the EU: a high-level Mercosur-China economic dialogue is to be held in Montevideo in late October - whilst the chances of an agreement between the EU and Mercosur in the near future have just fallen again.

Given this offensive from the Far East, we Europeans should consider whether our Latin America concept does not require an update. This especially applies to us Germans, who wish to hold regular governmental consultations with Brazil as a strategic partner country: as of now, these have only been held once - in 2015. Much has happened in Brazil since. ●