
BRAZIL STILL AN EMERGING WORLD POWERHOUSE

Author: **André de Almeida**
almeida@almeidlaw.com.br

Founding Partner of leading Brazilian Law Firm Almeida Advogados, former President of the Inter-American Bar Association, former professional cyclist.

In view of an apparently endless string of corruption scandals and the current economic crisis (not forgetting the outbreak of the Zika virus), questions abound regarding Brazil's ability to maintain its status as an emerging world economy.

There is no doubt that the troubles of the recent past have brought much havoc to the Brazilian economic and political establishment, triggering the worst recession in twenty-five years, as well as a presidential impeachment.

However, the growth of certain economic sectors throughout the recession period and the imminent political change, signify that Brazil's current problems are not permanent. Thus, one should not rely on Brazil's current situation to hastily categorize it as a country of chronic unfulfilled potential.

One may be forgiven for such a classification given that, the unemployment rate in the country shot up to 11.2 % between February and April earlier this year. In addition,

just last month, consumer spending fell by 1.7 % when compared to the previous three months and output production is expected to suffer a 3.8 % contraction by the end of 2016.

Furthermore, as a corollary to the increasing unemployment rate, decrease in output production and falling consumer spending, investors, both foreign and domestic, have lost some confidence in the Brazilian economy and are now more focused on preserving cash reserves.

Nonetheless, hastily categorizing Brazil as a country of chronic unfulfilled potential is still a faulty conclusion.

Primarily, such categorization will be wrong, considering that Brazil has a population exceeding 200 million and thus a multitude of potential customers. Also, despite its recent economic woes, Brazil is still the second largest economy in the Western Hemisphere, accounting for 35% of the entire Latin American GDP. Moreover, in the last two years, Brazilian

agricultural output has increased by an incredible 8.2%. Such growth, during what is the country's worst recession in decades is evidence of the unpredictable cluster growth that exists within the Brazilian economy.

Tom Jobim, the world famous musician once said, "Brazil is not for beginners", a rather poetic way of stating that any analysis of the Brazilian economy must be approached from a broad perspective, rejecting any polarizing approaches. Brazil is therefore already an economic force to be reckoned with, both at a regional and global level. Notwithstanding the gravity of its recent economic struggles, global market players stand to benefit profitably from investments in Brazil, but a broad understanding of the country's economy is necessary.

It is true that the recently exposed instances of gross political malpractice shook the foundations of the Brazilian political system, to an extent that there exists an attitude of malign apathy towards the system. Central to the discovery of such gross political malpractice is the ongoing "Lava Jato Operation" (Operation Car Wash), which has uncovered multiple corruption scandals at the federal level. As a result of the operation, multiple influential Brazilian politicians and businessmen have been arrested.

Furthermore, President Dilma Rouseff's impeachment, though at a heavy price of international embarrassment, has led to a

heightened level of consciousness from both the elites and the general population, regarding the limitations of the leftist movement.

Despite its far-reaching consequences, the failures of the Brazilian political system are understood to be a much needed watershed moment. The Brazilian people will no longer allow politicians to ignore minimum standards of fiscal and budgetary responsibility. Also, it is now evident that the anti-democratic characteristic of the previous governments is not the answer to Brazil's problems (as well as those of other Latin American countries, as demonstrated by the case of Venezuela).

Accordingly, Brazil's recent struggles cannot be downplayed considering the effects it had and continues to have on the country economically and politically. However, the struggles need to be understood as the bitter pill that the country desperately needed to swallow, in order to correct many of its structural problems. The struggles are just part of Brazil's coming of age as an emerging world powerhouse and would lead to more sustainable growth, on much more solid foundations.