

BRAZIL: Trucker strike puts economic populism at center of political discourse

The ten-day nation-wide trucker strike may be waning, albeit slowly, but its effects are long-standing. It has crippled not only supply chains, causing shortages and disruptions, but also an evolving consensus within the political establishment in favor of reformist economic policies. This has significant implications for the October 2018 general and presidential elections since it will shape much of the campaign debates. All pre-candidates had been opting for economically liberal discourses until the strike, particularly with respect to the need for reforms and reduced government intervention in the economy. Their reaction to the movement, however, made their verbal commitment less credible. The strike may have made economic populism a necessity during the presidential campaign — and possibly beyond.

The strike, which has left people without access to food, paralyzed airfare and public transportation, and halted exports, saw a government ready to concede on all it could (and couldn't), including guaranteeing a reduced price for diesel at the pump (not just at the refinery) for 60 days, exemptions from certain tolls, a minimum freight price and a quota of 30% for cargo from the state-controlled CONAB (Brazil's supply company) — all at a minimum cost of \$2.5bn to taxpayers for the remainder of the year. In other words, the government resorted to interventionism, subsidies and quotas and put Petrobrás in a delicate position regarding one of the main tenets of its recovery: the avoidance of price controls. The outcome of the crisis was therefore diametrically opposed to the general orientation of the Temer government. More importantly, it has driven a wedge between pre-candidates and their economic advisors — all of which are “market-friendly”, supporting an agenda low on interventionism and high on reforms.

The most extreme case is that of the ultra-rightist Jair Bolsonaro from the insignificant social liberals (PSL), who

still leads in the polls in the absence of former president Luiz Inácio Lula da Silva (PT). His advisor is considered a Chicago-school “ultra-liberal” economist, Paulo Guedes, who has spoken publicly about the desirability of privatizing not only Petrobrás but also other crown jewels such as Banco do Brasil, as a means to settle Brazil's public debt. Bolsonaro, who until inviting Guedes to advise him espoused strong economic nationalism, will now have great difficulty avoiding a populist discourse to government intervention. Other prominent presidential aspirants such as center-right social democrat Geraldo Alckmin (PSDB) or center-left Mariana Silva (Rede) — both also advised by orthodox economists — have shown signs of less economic rigor during the strike by failing to defend Petrobrás' autonomy in setting prices and steering its own independent course.

A new poll released today, 30 May, revealed that the pre-candidates are not wrong in assessing what it might take to get elected in Brazil in the aftermath of the country's biggest ever trucker strike. 87% of those polled are strongly in favor of the strike despite a generalized scarcity of fuel, food and transport and an enormous cost to the national coffers — i.e., to the tax-payer. The pre-candidates therefore followed the enormous majority in supporting the strikers despite their cost to the nation. This makes sense electorally but can only be justified by an economically-populist discourse that lets the voters have their cake and eat it too. This does not augur well for the elections or for the next government — whoever the president may be.

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