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**Professor Kenneth
Maxwell: Perspectives
on Brazil and the
World**



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Brazil and Shaping the 21st Century Global System: The Reluctant Global Player

06/25/2019

By Kenneth Maxwell

São Paulo saw two faces of the “New” Brazil this past week.

On Thursday, June 20th, President Jair Bolsonaro attended the “March for Jesus.” Tens of thousands of Evangelical Christians gathered near the Estação da Luz. Once upon a time this was the main terminal for the British São Paulo Railway Company (1867-1946).

It is now a commuter hub for the far-flung São Paulo suburbs. It is also the site of the (preventable) devastating fire, which destroyed the “Museu da Língua Portuguesa” (The “Museum of the Portuguese Language”), which was housed in the old railway company’s ornate 19th century headquarters building.

Bolsonaro is the first Brazilian President to participate in the March. Evangelicals now represent 30% of the Brazilian population. They provide one of the most solid of Bolsonaro’s support bases in the lower house of the Congress in Brasília.

On Sunday (June 23rd) on the Avenida Paulista, the principal skyscraper lined business boulevard of Brazil’s largest city, which is where the coffee barons once had their elaborate early 20th century residences, São Paulo’s LGBT Community turned out, also in their tens of thousands, to celebrate “gay” pride.

Bolsonaro when arriving in São Paulo for the “March for Jesus” unsurprisingly relaunched his homophobic attacks against Glen Greenwald and David Miranda.

Greenwald is responsible for publishing on-line the massive leak of hacked communications between the justice minister, Sérgio Moro, and the prosecutor in the “java jato” corruption investigations, prosecutions, and convictions, including that of former President Lula, when he was a Federal judge in Curitiba.

Bolsonaro said yet again that Brazil is not for “gays” but for “families.”

The problem is that Greenwald and his long time partner David Miranda are married and have a family. Though not the sort of “family” Jair Bolsonaro had in mind. Bolsonaro does not wish Brazil to become the location of “gay” sex tourism, but welcomes middle-aged men in search of Brazilian girls. He continues to be obsessed with gays in fact. One of his first acts as President was to post videos of a gay couple having public sex during Rio de Janeiro’s Carnival.

The “March” and the “Parade” are both part of an international phenomenon: The global rise of fundamentalism and the rise of LGBT rights.

Curiously Brazil has always be a key player globally, influencing as much as influenced, even though few Brazilians recognise the fact, since they are very uninterested in their own history

President Jair Bolsonaro, with his homophobia, and his draconian cuts to the education budget, and his attacks on the universities, and on the social sciences and the humanities in particular, will only make Brazil more ignorant about itself. Which is a great pity.

Brazil in the 17th century was the major initiator and participant in the international sugar and slave trades, so much so that it became the target of the upstart aggressive capitalism of the Dutch West India Company, which seized the North East of Brazil from the Portuguese, as well as the Slave exporting outposts of El Mina on the Gold Coast of West Africa (in present day Ghana), as well as Luanda in Angola.

After 1690, and through much of the 18th Century, Brazil was the source of the world's gold, and after 1720 of diamonds. 80% of the gold circulated in Europe during the 18th century came from Brazil, which witnessed the greatest and longest gold rush in world history. Between 1889 and 1930 Brazil produced 71% of the world's coffee.

In the 21st century Brazil's agricultural, iron ore, and petroleum resources are immense. As in the 17th century in the 21st century the world casts envious eyes on these Brazilian natural resources. They have become vulnerable as a result of the corruption scandal, which has weakened Petrobras, and the neo-liberal privatization policy of Bolsonaro's economic "czar" Paulo Guedes.

Brazil has also isolated between openness to the world and suspicion of the world.

This has been reflected in swings from open-door liberalism to closed-door protectionism.

Ever since Brazil's independence from Portugal in the 1820s, this has led to repetitive financial crises, and repetitive bailouts by the financial powers of the epoch: The Rothschilds and Barings during the course of the 19th and early 20th centuries, and the IMF in more recent times.

This led to the rise during the two Getulio Vargas regimes (the first dictatorial, the second democratically elected) of import substituting industrialization, and in 1952, to the establishment of the national petroleum monopoly of Petrobras, which remains deeply engrained as a national treasure in the minds of Brazilians, despite the tribulations of the past five years.

The most aggressive conflict at the heart of the Bolsonaro administration has been over foreign policy, and Bolsonaro has staked out the greatest difference with the policies of the Lula regime and the Worker's Party (PT).

Lula and his foreign policy team under the foreign minister (Chancellor) Celso Amorim, and Lula's long term Foreign policy adviser, the late Professor Marco Aurélio Garcia, charted a policy which flavored relationships with the emerging powers in Africa and Asia, and the leftist bloc of countries in Latin America (Venezuela, Bolivia, Ecuador and Cuba).

They also encouraged big Brazilian business to get involved by means of favorable loans from the Brazilian National Development (BNDES), which has a portfolio larger than the Inter-American Development Bank (IDB).

Bolsonaro on the other hand favors a close relationship with Trump's America, and his foreign minister, Ernesto Araújo wants to save the West from postmodernism.

He is an undistinguished diplomat and his appointment was made following the recommendation of Olavo Carvalho, the right wing American based "guru" of Bolsonaro and his sons. Araújo believes in conspiracy theories and that man-made climate change is untrue and a "communist plot" and that "globalism" is driven by "cultural Marxism."

Bolsonaro's principal foreign policy adviser, Filipe Martins, is also an anti-globalist. Felipe Martins holds that globalism is a cosmopolitan plot organized by multilateral elites to destroy national sovereignty.

It is not surprising that Steve Bannon sees the Bolsonaros and Brazil as key allies in his international crusade to reclaim the agenda from the liberal minded elites which have dominated the international agenda for the past forty years, and why Trump also sees Bolsonaro as a South American like-minded mini-Trump.

This has led to a great deal of friction with the "pragmatic" generals Bolsonaro has appointed to government positions and who have become the target for scatological tweets of Olavo Carvalho and the in-house opposition of Bolsonaro's sons.

The most recent casualty of this on going struggle within the Bolsonaro's government was the demise of army general Santos Cruz, and his replacement army general Luiz Eduardo Ramos Batista Pereira. General Ramos led the 8,500 man component of the UN stabilization mission in Haiti (Minustah). He was the commander of the southeastern military region and previously vice-chief of the army's general staff. He was most importantly a colleague of Bolsonaro in the barracks when he was a junior officer in Rio de Janeiro.

General Santos Cruz, however, was the third minister to leave the government since January. He has not been quiet since he was fired. He says the government "each day has a foul up" and that of Bolsonaro and his sons and the "Olavistas" purvey "bullshit."

The problem with the military generals, however, has repercussions for Brazil's attitude towards the ongoing crisis in its northern neighbor, Venezuela.

General Hamilton Mourão, Bolsonaro's vice-president was the Brazilian military attaché in Caracas and knows Venezuela and its military well. He has also served in the UN mission in Angola and speaks English fluently (unlike Bolsonaro). He is a pragmatist and is not at all part of the Olavista group, and he has as a consequence, become a target of Bolsonaro's sons and Olavo Carvalho.

The Brazilian military is extremely cautious about foreign military adventures, especially interference in the internal affairs of its near neighbors.

Mourão knows the Amazonian frontier well having served as the commander of the jungle command. The colossal outflow of Venezuelan refugees into Columbia, and beyond into Ecuador and Peru, and the recruitment of displaced Venezuelans into the cross-border Marxist guerrillas, and into the right wing para-military forces in Colombia, with which Brazil also shares a long land frontier in the northern Amazon basin, also pose potential problems for Brazil.

These challenges for Brazil will not go away anytime soon. The internal conflicts within the Brazilian government over policy towards Venezuela could become acute at any moment and beyond Brazil's control. Brazil has always been ambiguous about its role in South America, but it may be forced soon to confront the reality of its neighbor's problems.

The "LGBT" parade and the "March for Jesus" in São Paulo this last week are both part of the "new" Brazil.

So too are Jair Bolsonaro and the Brazilian evangelicals.

Brazil cannot forever avoid key decisions on how to respond to the conflicting demands of regional diplomacy, or the consequences of its newfound friendship and ideological kinship and the demands of Donald Trump's United States.

Brazil may see itself at times as a far way place.

But the reality is, that for better or worse, that Brazil very much shares global trends, and despite itself, always has.

Brazil and the United States During World War II and its Aftermath

05/14/2019

By Kenneth Maxwell

Frank D. McCann, professor of history emeritus at the University of New Hampshire, has long been an observer of US-Brazilian military relationships.

He knows both sides very intimately.

He taught at West Point in the 1960s during the Vietnam War. He met privately with the Vice-President of Brazil, General Antônio Hamilton Mourão, during Mourão's recent visit to Harvard.

McCann is a very careful scholar whose insights are based on fifty years of detailed research in Brazilian and US archives.

His new book is very timely.

President Donald Trump and Brazilian President Jair Bolsonaro are re-engaging on multiple fronts.

Brazil plays a critical role in these calculations since Brazil has a large land boundary with Venezuela.

Trump and Bolsonaro want to re-set the relationship and the military component could become very important.

But as Frank McCann shows there is a long history of US-Brazilian military relations.

These past hopes (and disappointments) are well worth recalling now.

WW2 was a critical moment in Brazilian-US relations and this period is the focus of McCann's book.

The relationship was of the greatest importance to both sides and eventually brought together an unlikely partnership between the Brazilian dictator, Getulo Vargas, and Franklin Delano Roosevelt. As a result of their strategic relationship Brazil sent an expeditionary force to fight in Italy under US command.

And Brazil provided the US with its most important overseas military air transport base in Natal, in the "bulge" of Northeastern Brazil, which was critical to the support of US forces in North Africa, and to the supply of (disassembled) American aircraft (47,874 aircraft were sent in this way) to the Soviet Union via the South Atlantic, around the Cape of Good Hope, and the Indian Ocean via Iran, when supplies to the Soviet Union via the North Atlantic to Murmansk became too dangerous and virtually impassable in winter conditions.

The US had an interest in developing a military relationship with Brazil before the war broke out in Europe.

General George C. Marshall, the newly appointed US Army Chief of Staff, was sent by President Roosevelt to Rio de Janeiro on the USS Nashville in June 1939 to assess the state of the Brazilian army, and to begin negotiations at the suggestion of Oswaldo Aranha, the Brazilian Ambassador in Washington between 1934 and 1938, who on his return to Brazil became Vargas's foreign minister.

Roosevelt had visited Rio de Janeiro in 1936 on his way to Buenos Aires for an Inter-American Conference and had met Vargas (they spoke together in French).

General Marshall was interested in obtaining port facilities in the North East of Brazil. General Goes Monteiro, his Brazilian counterpart, believed that Brazil's principal challenge was the threat of an Argentine invasion, and subversion within Brazil by German, Italian and Japanese immigrant communities, which were particularly large and powerful in São Paulo, Paraná, Santa Catarina and Rio Grande, do Sul.

The Nazi party in Brazil was the largest in the world outside of Germany and had 2900 members in 17 Brazilian states.

The Nazi influence was strong within the higher ranks Brazilian army's officer corps and within the Vargas Regime's secret police in Rio de Janeiro commanded by the pro-Axis Anti-American chief-of-police, Filinto Muller.

In 1936 the Brazilian military was extremely weak.

The authorized force was supposed to be composed of 4,800 officers, 1100 temporary officers, and 74,000 soldiers, though in fact the number was 20% lower, with some 60,000 soldiers. The army had faced internal discontent among junior officers and sergeants, and a junior officer led Communist and Moscow supported uprising in November 1935.

By July 1941 US Army intelligence placed the number of Brazilian troops at 92,000 organized in 5 divisions, with 6,500 officers. They evaluated their state as “fair” and the 192,000 reserves as “poor”. The navy of 17,000 “infrequently put to sea,” and the Air Force was only recently formed and made up pilots drawn from the Navy and Army and distributed in eight squadrons.

General Marshall wanted a US protective army force of 9,300 troops and 43 aircraft in Brazil since the fear for the Americans was that the seizure of the airfields and ports of northeastern Brazil could be achieved by forces already in the country acting in conjunction with a small German intervention force.

They were also worried about the deteriorating situation in North Africa where the German and the Italians were making major advances against the British, and Vichy France and the Germans threatened to take control of Dakar.

Roosevelt launched a major campaign to win hearts and minds in Brazil, and in August 1940 Roosevelt appointed Nelson A. Rockefeller to be the coordinator of Office of Inter-American Affairs (OCIAA).

This cultural/political offensive had a major impact.

Leading Brazilian authors were translated into English, including Euclides da Cunha, Gilberto Freyre, and Jorge Amado. RKO, partially owned by Rockefeller, sent Orson Wells to Brazil to make a film, though Vargas did not like the project because Wells depicted the image of a poor and black Brazil and the funding was cut and the film was never completed.

Walt Disney was more successful. He portrayed a Bahia (Brazil’s most Afro-Brazilian City) without blacks, as well as creating one of the most enduring Brazilian film characters, Ze Carioca, who introduced Donald Duck to Brazil and to Samba and both to an American audience.

Roosevelt secretly approved projects whereby the War Department negotiated a deal with Pan American Airports Corporation, a subsidiary of the Pan Am, to develop airbases and routes from the US via northeastern Brazil to Dakar and North Africa.

After the Japanese surprise attack on the US Pacific Fleet at Pearl Harbor in Honolulu on December 7th, 1941, which the Japanese intended to neutralize US military activities in the Pacific, the Japanese launched near simultaneous attacks on the British in Hong Kong, Singapore, and the Dutch territories, and on the US in the Philippines, Guam and Wake Island.

The US Congress on December 8, 1941 declared war on Japan and on December 11, 1941 and Germany and Italy declared war on the US.

The US Army in 1939 was the 17th in size among the world’s armies. It had 174,000 men in the regular army and a similar number in reserves. Its regiments and battalions were understrength and undertrained, its weaponry was old, as was its officer corps. The US generals, who would command in North Africa, Europe, and the Far East, were still majors and lieutenants, and the war industries were few.

The extensive maneuvers and training held in East Texas and Louisiana in 1940 and 1941 reshaped the officer corps of the army, army tactics, and weapons.

Brazil faced similar problems with infinitely meager resources and had no training exercises.

The negotiations with the Brazilians were difficult and at times contentious, and disputes between the State Department and the US military did not help. The Brazilians were unwilling to have US troops on their territory, yet they needed US arms, training, and logistical support, and received lend-lease assistance, which involved the support of the Volta Redonda Steel Mill, an important part of Brazilian industrial development ambitious.

But it was the personal intervention of President Roosevelt at critical moments, and of General Marshall, who sent his close personal friend and long time trusted colleague, Claude “Flap” Adams, to Brazil as military attaché.

Roosevelt and Vargas meet at Natal in January 1943 when Roosevelt’s was on his way back from Casablanca, and together inspected the by then huge Parnamirim Air Base.

The sinking of the Brazilian passenger ship “Baependy” on August 15, 1942, when 16 army officers and 125 men of the Brazilian Seventh Artillery Group were killed among the 320 passengers who lost their lives as the result of an attack by a German submarine had outraged Brazilian public opinion.

By April 1943 the idea of a Brazilian expeditionary force had the backing of key policy makers in both countries.

The move still met with hostility among some fascist minded regular officers, especially in Rio de Janeiro, and the American general sent to inspect the Brazilian units found they needed “a more realistic type of training” and that the standardization of weaponry “was badly needed.”

Joint military commissions were established one in Washington and the other in Rio de Janeiro to prepare the defense of North Eastern Brazil and to work with the American Army and Naval Missions to improve the combat readiness of the Brazilian Armed Forces. Vargas recognized that it would take a year for the Brazilians to be ready for deployment overseas. The first echelons of the Brazilian expeditionary force (FEB), which would eventually number 25,334, arrived in Naples in July 1944.

The FEB was to be totally integrated into the American Army.

It was a division in the army of an independent country voluntarily placed under US command. The FEB adopted the smoking cobra as it’s nickname, engaged in 229 days of combat and lost 447 killed. A Brazilian fighter squadron was part of the US 350th fighter group based in Pisa. The Air Transport routes via the base in Natal at Parnamirim became the busiest Air Transport base in the world.

But after WW2 the Brazilians were to be bitterly disappointed.

Brazil did not participate in the occupation forces in Europe. The FEB was withdrawn and disbanded. The promised economic assistance did not arrive and the Cold War between the WW2 Allies, the Soviet Union and the United States, soon took priority.

Roosevelt was dead, President Harry S. Truman was the President of the US, Getulo Vargas was overthrown and replaced by his war minister Enrico Gaspar Dutra, and Vargas’s pro-American Foreign minister, Osvaldo Aranha, a critical supporter of the de-facto US-Brazilian alliance was out of office. In the US the conflict within the State Department and within the military between those who

supported a bilateral alliance with Brazil and those who wanted a broader multilateral Latin-American wide alliance intensified.

George Kennan, after a visit to Brazil in 1950, which he did not like at all, wrote, “we have really no vital interest in that part of the world.”

Truman also opposed to the nationalization of Brazil’s petroleum resources with the foundation of Petrobras in 1953 by Vargas after his return to power in 1950 as the democratically elected president of Brazil.

The Americans also opposed the Brazilian nuclear program with Germany.

Brazil did not participate in the Korean War or Vietnam despite requests by the US. The Cuban Revolution transformed US concern with Latin America.

And Brazil’s participation in the Dominican Republic after the US invasion of 1964 produced more misunderstandings between the US and the Brazilian military commanders.

The military coup in Brazil in 1964 brought one of the key figures in the FEB, General Castelo Branco, into power, and the US was very well informed of the situation within the Brazilian army through the Military Attaché, Colonel Vernon Walters, who had been the translator and liaison officer with the FEB during WW2 in Italy.

The US had mobilized a fleet to support the rebels in the case of a civil war in Brazil. But the military regime proved much more difficult than had been anticipated. The military relationship did not improve. The relationship was plagued by conspiracy theories, which McCann does much to dismantle.

But the basic problem was suspicion on the Brazilian side and indifference and insensitivity on the American side.

The low point came during the administration of Jimmy Carter and Ernesto Geisel over human rights and Brazilian nuclear development and was more than Geisel could tolerate.

“We had to live and treat with the United States, as much as possible, as equal to equal, even though they are much stronger, much more powerful than us.”

As a consequence he intensified relations with England, France, Germany and Japan.

The cancellation of the 1952 military accord and the elimination of the mixed military commission that had existed since 1942 altered the nature of US-Brazilian Relations.

The irony was that Geisel was implementing a policy, which was to contribute to the ending of the military regime in Brazil and conducting a foreign policy, which recognized the newly independent states in former Portuguese Africa.

If Bolsonaro and Trump can reverse these years of disengagement and misunderstandings remains to be seen.

Rhetorically they will certainly attempt to do so.

Bolsonaro is after all “The Trump of the Tropics.”

But those who ignore history are bound to repeat it.

And with the occupant of the White House who has generated more than 30,000 text messages in office, perhaps he will not have time to read a history, which might show a way ahead.

The Captain and the General: Bolsonaro’s Brazil

05/13/2019

By Kenneth Maxwell

The opera continues in Brasilia.

At least this is how one of the most informative and well-sourced Brazilian websites describes the political shenanigans in Brazil’s capital city.

Though to be fair the website, Drive Pemium, founded by the prize-winning journalist Fernando Rodrigues, had given this designation to the political merry-go-round in Brasilia and its denizens long before (reserve) army captain and long term Rio de Janeiro congressman, Jair Messias Bolsonaro, assumed office as the President of the Federative Republic of Brazil at the beginning of January this year, and (reserve) army general Antonio Hamilton Mourão stood by his side as the elected vice-president.

If Bolsonaro has done one thing over his first four months in office, it has been to stimulate friends and enemies both at home and abroad.

He has certainly brought Brazil to global attention even if largely for the wrong reasons.

Though none of this should have been a surprise to anyone.

It is not as if Bolsonaro was an unknown character.

He has railed in the lower house of the Brazilian Congress since his election in 1990, and his re-election six times thereafter, against women, same-sex marriage, abortion, affirmative action, drug liberalization, secularism, Brazil’s indigenous peoples, environmentalists, blacks, and gays.

And he has continued to do so.

He is now aided by his three equally outspoken politically-active right-wing sons, from their elected positions in the senate (Flavio), the lower house of congress (Eduardo), and from the Rio de Janeiro city council (Carlos) where Jair Bolsonaro also began his political career.

Carlos (26) better known by his moniker of “the pit-bull.” coordinated his father’s highly successful social media campaign during the presidential election and continues to use his webpage to rally Bolsonaro’s voter base and attack his father’s presumed enemies from the Mayor of New York City to the Brazilian vice-president.

Eduardo (34) is a lawyer and former federal police officer, and a federal deputy from São Paulo. He is now the chair of the lower house of congress’s foreign affairs and defense committee. He has visited the US, Hungary and Italy to build relationships with like minded right-wing parties, and he is the Latin American representative of Steve Bannon’s “The Movement.”

He keeps framed rifle rounds and figurines of Ronald Reagan and Donald Trump on his desk, together with a baseball cap with “Trump 2020.” Bannon’s “The Movement” aims to “reclaim sovereignty from progressive globalist elitist forces.”

Flavio (38) is a lawyer and politician and is the eldest child of Jair Bolsonaro. He is accused of having ties to Rio’s death squads involved in the assassination of the popular Black gay Rio de Janeiro City council-member, Marielle Franco, and of receiving suspect money-laundered payments to members of his family while a state legislator in Rio de Janeiro. Some Brazilians fear the formation of a Bolsonaro family dynasty on the model of the Fujimori in Peru and the Kirchner in Argentina.

The difference is that the Bolsonaro dynasty is here, and now, and in power.

The falling out at the top of the government, however, is more serious, since it pits the ideological “Olavetes” (so called after the right-wing “guru” Richmond, Virginia, based self-exiled, Olavo de Carvalho), and the more pragmatically minded Brasilia based military officers in Bolsonaro’s government, and aggravates the relationship between the President and the Vice-President, reserve General Antonio Hamilton Mourão (65).

Although he was the third choice to run with Bolsonaro, Mourão is not without controversy. Until 2015 he was the commander of the southern army command based in Porto Alegre, Brazil’s most important, but he was relieved of this position and transferred to Brasília by the army commander, Eduardo Villas Boas, over a speech he made about politics during the mandate of Dilma Rousseff.

General Mourão who reached the highest rank in the military, joined the army in 1972 in the Academia Militar das Agulhas Negras (AMAN). He is a gaúcho, and was born in Porto Alegre in the south, but he comes from a military family from Amazonas and has indigenous origins. As a captain he worked with Jair Bolsonaro (who also graduated from the Academia Militar) in the 8th paratrooper field artillery group in Rio de Janeiro. He has served as commander of the jungle group in Amazonas, on a UN peace mission in Angola, and was military attaché in Venezuela. He is first in line of succession to Bolsonaro as vice-president of Brazil.

The “Olavetes” are the followers of the right-wing former astrologer and self styled “philosopher” Olavo de Carvalho, the “Guru” of the ideologists in Bolsonaro’s camp.

Olavo has nominated at least two of the most ideological members of Bolsonaro’s cabinet, the minister of foreign affairs, Ernesto Araújo, and the two education ministers (the first minister, the Columbia born Ricardo Velez-Rodrigues who resigned and was replaced by the economist Abraham Weintraub). Eduardo Bolsonaro, however, is father’s principal de-facto adviser on foreign affairs.

He is a friend of Steve Bannon and accompanied his father in Washington when he met Donald Trump at the White House.

Bannon was also present at the dinner given by the Brazilian Ambassador in Washington for Bolsonaro where the Brazilian President sat between Olavo Carvalho and Bannon and meet there with various presumably sympathetic American luminaries.

Steve Bannon has called Olavo Carvalho “one of the great conservative intellectuals in the world.”

A core of Olavo’s philosophy is that China is the defining threat of the 21st century and that Brazil needs to be a part of a Judeo-Christian Alliance of countries who can confront it.

Eduardo Bolsonaro is the representative of the “The Movement,” a European based organization that supports right-wing populism founded by Bannon.

But the army leaders in Bolsonaro’s government are cautious about military adventurism and hold fast to the long term practice of Brazilian non-intervention, and they tend to see the US (as does Mourão) as materially interested in the Amazon, using the cover of human rights concerns and environmentalism for darker expansionist interests.

And their caution is aggravated by Bolsonaro’s and his sons enthusiasm for the US, in general, and for Trump, in particular, as well as by Bolsonaro’s fervor for Israel, where Jair Bolsonaro was baptized in the river Jordan to the delight of his evangelical supporters (and voters) at home.

But Bolsonaro enthusiasm for Israel and for antagonism towards China has already upset the powerful Agro-industrial sector in Brazil.

China is Brazil’s major trading partner.

And the Middle Eastern counties are major importers of Brazil’s agricultural producers, beef, and chicken. And the Middle Eastern Ambassador all reminded Bolsonaro of this fact.

And they have been joined in this caution by the financial sector whose early enthusiasm for Bolsonaro’s promise of economic liberalization and reform of the Brazil’s social security system has been severely shaken as these projects have become stalled in the Congress where the newly members of his Social Liberal Party have yet to act as a cohesive disciplined bloc.

Paulo Guedes, his economic czar, had to be escorted out of a very contentious committee hearing in the Congress by security.

Bolsonaro has taken care of his base, the unshakable evangelicals, and the “bullet” lobby, and like Trump he may well rely on this base in future.

But on Monday this week General Villas Boas, the former commander of the army, and an advisor to the presidential cabinet of institutional security, openly criticized Olavo de Carvalho, and what he sees as the ideological nucleus of Bolsonaro’s government, in Carlos Bolsonaro’s (and Trump’s) favorite method of communication, a tweet.

“Once more Sr Olavo de Carvalho from his existential vacuum lets loose his attacks on the military and the armed forces, demonstrating a total lack of the basic of education, of respect, and a minimum of humility and modesty.

“A true Trotsky of the right...”

One thing certain: the opera in Brasília has long way to go yet.

Bolsonaro Elected President of Brazil: Now What?

11/25/2018

By Kenneth Maxwell

Jair Bolsonaro will take office as the next president of Brazil on January 1st, 2019.

He was elected in one of the most polarizing run-offs in Brazilian history.

He said that he would “stamp out corruption after years of left-wing rule. We cannot continue flirting with communism. We are going to change the destiny of Brazil.”

This (reserve) army captain and former paratrooper, infamous for lashing out at women, minorities, and indigenous groups, has been called a “tropical” Donald Trump.

His election victory was warmly welcomed by Steve Bannon who had met Jair Bolsonaro’s son, Eduardo Bolsonaro, in New York City.

Jair also has been compared to the gun totting populist nationalist Rodrigo (Rody) Duterte, the president of the Philippines.

Jair Bolsonaro’s election to head Latin America’s most important economy shocked as well as excited many outside observers.

On the left of the political spectrum he was universally seen as an existential threat.

To those on the right of the political spectrum he offered the hope of a fundamental change in Brazil’s domestic and international policies.

He also promised a closer alignment with the United States after years of estrangement and suspicion under (Worker’s Party) PT governments when Brazil perused a South-South foreign policy, and established close relations with the BRICS group of large emerging economies, and with China in particular, which became Brazil’s largest trading partner and a major investor.

Despite serving for 27 years in Congress as a representative of Rio de Janeiro, Bolsonaro had been an outsider in Brazilian politics, and he has a record of making extremist nationalist, populist right-wing comments.

Bolsonaro was nearly fatally stabbed in the abdomen during a campaign rally. He underwent immediate surgery in Juiz da Fora where the assassination attempt took place and then in São Paulo. He spent weeks in hospital recuperating, before he returned to his apartment in Rio de Janeiro where he conducted his campaign via twitter, the Internet, and through carefully chosen television interviews.

He was scheduled to have his colostomy bag removed in a surgical operation at the Albert Einstein Hospital in São Paulo on the 12 December, but following medical examinations this has been postponed until after he takes office.

Which makes some Brazilians with a historical memory worry.

Tancredo Neves, the first civilian to be (indirectly) elected president of Brazil after military rule, was much sicker than was publicly admitted at the time and he died before he could assume office.

What are Brazil's prospects under a Bolsonaro presidency?

Will he practice what he has long preached?

Economics: Liberalism without Liberty?

The economic policies of the Bolsonaro government are already clear.

He has appointed a team of competent and experienced neo-liberal economists to conduct it, and he has promised them a free hand.

The problem is that some of them are also well known for not recognizing that liberal economic policies in Latin America can sometimes be conducted without liberty.

The “guru” in Bolsonaro’s case, the unapologetic “Chicago boy,” Paulo Guedes, worked at the University of Chile under military intervention during the Pinochet regime where his fellow Chilean “Chicago boys” were also given a free hand.

Bolsonaro has scheduled his first official presidential visit to Chile after he is inaugurated.

Bolsonaro thus promises a major shift in Brazil’s economic policy.

Paulo Guedes, a disciple of Milton Friedman will be his economic czar, commanding the merged finance, industry, trade, and planning ministries. He has brought another University of Chicago educated economist, Joaquim Levy, into a senior management role, as president of the Brazilian Development Bank (BNDES)

Joaquim Levy was trained as a naval engineer. His Chicago PhD in economics was awarded in 1992. He comes from the position of managing director and World Bank Group financial officer. He joined the World Bank in February 2016 having served in 2015 as the Brazilian Finance Minister under Dilma

Rousseff (though she rarely took his advice). He has strong international and national credentials and has worked in both the private sector and for the government.

Guedes has nominated another Chicago trained post-graduate economist, Roberto Castello Branco, who will become the president of Petrobras. Roberto Castello Branco has previously worked at the Brazilian Central Bank and for Vale, the Brazilian multi-national mineral company. He is also known for recommending in the past the sale of Petrobras's refining and distribution networks and criticized Petrobras's control of prices.

The new president of Brazil's Central Bank, who will replace Iian Goldfajn, will be Roberto Campos Neto (49) who is currently with Santander Bank where he has been for the past 18 years. He has a post-graduate degree from UCLA. He is the grandson of Roberto Campos (1917-2001) who was a very well known (and brilliantly acerbic) Brazilian liberal economist who was minister of planning under General Castelo Branco, the first military ruler of Brazil after the military coup in 1964.

Paulo Guedes has established a new secretariat for privatization, which will be part of the ministry of the economy. Its mission will be to coordinate the sale of state assets such as property and public lands under the Bolsonaro government. In the past Guedes declared that some R\$ 1 trillion could be privatized as a way to reduce the public debt.

The businessman, Salim Mattar, from Minas Gerais, has been chosen by Guedes to head the new secretariat. Salim Mattar is the founder and owner of Localiza, one of the largest car rental and leasing businesses in the world He is also a member of the Insitute Millenium founded by Guedes to promote economic liberalism.

The economist Rubem Novaes, will be the next head of the Banco do Brasil, Pedro Guimarães will head of the Caixa Econômica Federal, and Carlos Von Doellinger will head of Ipea (the Institute for Applied Economics).

Guimarães has a PhD in economics from the University of Rochester, and has worked in the private sector at various private banks, Novaes who has a PhD in economics from the University of Chicago, where he studied at the same time as Guedes and has been a professor at the Getúlio Vargas Foundation and a director of BNDES. He is associated with the Instituto Liberal in Rio de Janeiro and has written a book on foreign investment in Brazil. He has headed the national confederation of industries (CNI). Carlos Von Doellinger was secretary of the national treasury and president of the Bank of the State of Rio de Janeiro (Banerj)

The major decisions on the horizon involve the sell-off of parts of the Brazilian state controlled petroleum company Petrobras, as well as the acceleration of the auction of blocs of Brazil's deep water off-shore ("pre-sal") petroleum reserves, as well as the potential privatization of Petrobras's refineries, and its domestic market distribution networks.

Roberto Castello Branco has said that he has "no mandate to consider selling the whole company" only the refinery network.

But all these will be controversial measures.

Petrobras, the semi-public Brazilian multinational corporation in the petroleum industry was established by Getulo Vargas in 1953, and has long be a loadstar in Brazil's statist and nationalist crown.

The Brazilian government currently owns directly and indirectly 64% of the company. It is 58 in the most recent Forbes global asset assessment.

Petrobras has been mired in corruption scandals in recent years and was at the center of criminal investigations, and subject to multi-billion dollar settlements in the US and in Europe.

Disputes over the cost of fuel on the domestic market caused one of the most remarkable strikes in recent Brazilian history, where truck drivers were mobilized using WhatsApp, and brought the whole country to a standstill, and forced major concessions from the Temer government.

The mobilization of the transportation strikers proved to be a rehearsal for the presidential election where the influence of social media (WhatsApp, Twitter, and Facebook) far outweighed the traditional print-media as well as television where the major political parties had privileged access and large times slots and concentrated their electoral propaganda.

The social media was the hidden factor in the victory of Bolsonaro in terms of its reach and access and opinion sharing, the use of internet bots, a software application that runs automated scripts or tweets over the internet, as well as the vulgarization of "Fake News."

Bolsonaro realized the power (and the cheapness) of use of the social media early on, and he and his sons were active in campaigning on-line.

Justice: Corruption and Law Enforcement

Bolsonaro has appointed Federal Judge Sérgio Moro (46) to be the new minister of justice and public security in his administration. Sergio Moro conducted the "Lava Jato" investigations, which brought former president Lula da Silva to imprisonment in the Federal Police HQ in Curitiba, Paraná, where Moro was the Federal Judge.

Sérgio Moro's actions were not without criticism, especially from the PT, which saw him as biased against them, an opinion only fortified by his acceptance of the justice and public security ministry under Bolsonaro.

Justice Celso de Mello of the Brazilian Supreme Court said that Moro was creating a "nosy police state."

Sergio Moro says he will bring a type of "Plano Real against criminality in Brazil." The "Plano Real" was the measures, which ended inflation and set Brazil's path to regained international financial credibility. He will act he says against corruption, organized crime and violent crime.

Sergio Moro has brought into the ministry of justice several colleagues from the Federal Police in Paraná, including Mauricio Valeixo, the superintendent of the Federal Police in Paraná, who will become the director-general of the PF in Brasilia.

The “Lava Jato” (“car wash”) investigation and eventual convictions began in 2014 when a small scale money laundering investigation in Brasília discovered links to Paulo Roberto Costa, the director of refining and supply at Petrobras.

The case was unraveled by using plea-bargaining in exchange for information (a technique ironically only approved under Dilma Rousseff), which led to further arrests.

Costa acknowledged overpaid contracts and the funneling of funds to personal accounts. He received 3% on all contracts. Petrobras was overcharging for construction and service work in return for some US\$3 billion in bribes. It was in this web that major Brazilian construction companies and politicians were also caught.

The main targets of these investigations so far has been the PT and federal judge Vallisney Oliveira has opened a penal action against former president Lula and former president Rousseff, and ex-ministers of finance Antonio Palocci and Guido Mantega, and the ex-treasurer of the PT.

Lula is cited as being the “great idealizer” of a criminal organization between 2002 and 2016 when Dilma Rousseff was impeached, and which it is claimed involved the ministry of mines and energy, Petrobras, BNDS, and the construction companies Odebrecht, Andrade Gutierrez, OAS and UTC.

Political Dynamics

Jair Bolsonaro son, Flavio Bolsonaro (37) is the senator-elect for Rio de Janeiro and Eduardo Bolsonaro (34) is the re-elected federal congressman from São Paulo. Eduardo is a former federal police officer and is pro-gun and is far right in his politics.

He was re-elected with the largest vote in Brazilian congressional history.

Both will be key links between the Bolsonaro administration and the congress.

Another brother, Carlos Bolsonaro (35), ran his father’s twitter account and is a city councilman in Rio de Janeiro, having been the youngest councilman elected in Brazilian history in 2000 (he was cited as a possible government appointee in Brasília but could not hold the position because of Brazil’s nepotism rules.)

The most fraught and immediate problem is the reform of the social security system (Previdência).

Almost all economic experts agree that this is an essential reform if Brazil is to gain control of its future budgets.

But pensions for the military (at the federal level) and the police (at the state level) are substantial contributors to these chronic deficits.

As are the early retirement age for university professors for instance (which also makes them wary of reform and as well as payments and pensions for the members of the judiciary.

The new health minister will be Luiz Henrique Mandetta (DEM), a congressman from Mato Grosso do Sul. Mandetta an orthopedist (a surgical intervention to muscle-skeletal trauma, spine and sports injuries,

He specialized in Children's orthopedics and worked in the military hospitals (as a captain) in the 1990s (he was trained in Atlanta). He was previously the secretary of health in Mato Grosso do Sul, where he was charged with being involved in fraudulent bidding for contracts on acquisition of information technology. He was the coordinator of the medical lobby in the lower house of congress.

One of the most important consequences of Bolsonaro's election was the rupture of the agreement with Cuba whereby thousands of Cuban doctors under a deal made by the PT government were in Brazil working in rural and marginalized urban neighborhoods.

Jair Bolsonaro has long attacked this deal, and Cuba is withdrawing these doctors before Bolsonaro takes office.

John Bolton, President Trump's national security adviser, has already praised Bolsonaro's attitude towards Cuba.

Bolton will visit Bolsonaro on his way to the G20 meeting in Buenos Aires

Alliances in Congress will bring many of the smaller parties into the Bolsonaro fold.

Also the DEM's (Democrats) into de-facto alliance with Bolsonaro's PSL (Social Liberal Party), The DEM's are a right-wing party which has in roots in the official party of the military regime, but recast itself as a conservative party. The party has 29 seats in the lower house and 4 seats in the senate.

The DEM's have several influential national and regional leaders, including Rodrigo Maia from Rio de Janeiro, currently the president of the lower house of Congress, and ACM Neto in Bahia, the grandson of the Antonio Carlos Magalhães, the long term power broker, and for many years the de-facto political boss of Bahia.

The most striking result of the election was not only the defeat of the PT's presidential candidate, but also the emergence of Bolsonaro's PSL as a major force in the lower house of Congress.

But the PSL group of 52 newly elected congress members is already squabbling with Bolsonaro's new chief of staff, Onyx Dornelles Lorenzoni (64). Onyx Lorenzoni is a businessman and veterinary, and a four term DEM congressman from Rio Grande do Sul, who was one of the most ferocious opponents of Lula's government and the PT.

The senator elect for the PSL from São Paulo, Sérgio Olímpio Gomes (50) better known as Major Olímpio, says that he has tried to call Onyx 27 times without any response. Major Olímpio was with the São Paulo state police and is a security, self defense, and shooting instructor, who was elected to the lower house of the federal congress in 2014, and in 2018 was elected senator from São Paulo. Bolsonaro has said he does not want to hear the name of Major Olímpio!

The three blocs of potential support for Bolsonaro are composed of the agriculture and animal husbandry (agropecuária) lobby which will have some 427 deputies, of which Bolsonaro can count on

at least 100; The public security lobby which has 50 members; 30 from the Catholic group; and 100 out of the 198 members of the Christian fundamentalist group.

This overlaps with the powerful “gun, bible and beef” lobbies in the congress.

Tereza Cristina da Costa, the new minister of agriculture was coordinator of the agropecuária group in Congress. She is known as “the Muse of Poison” because of her support for relaxing control on pesticides.

The new minister of education is to be Ricardo Velez Rodrigues, a naturalized Brazilian citizen of Colombian origin. He taught at the school of the general staff the army and at the Pontifical Catholic University of Rio de Janeiro (PUC-RJ). Velez is known for his desire to remove “politics” from teaching and introducing “moral and Christian” values.

His appointment was a victory for the evangelical lobby, and for the “guru” of the far right, the U.S. based Brazilian “philosopher” and prolific blogger and tweeter, Olavo de Carvalho, who supported him.

Clovis Rossi, a long time columnist of the “Folha de São Paulo” says, “an ayatollah has taken over education in Brazil.”

The Role of the Military

Captain (reserve) Bolsonaro as president, and General (reserve) Hamilton Mourão as vice-president, represent the stealthy militarization of Brazilian politics via the ballot box.

But this is building on the actions of the Temer government when Temer sent the military into Rio de Janeiro to combat rampant crime under the command of an army general.

The elections also brought 35 former military men into the lower house of the Congress and 5 into the Senate.

In addition, 50 were elected to State Legislatures.

The new head of institutional security (GSI) will be General Augusto Helena who commanded the UN peacekeeping forces in Haiti.

The new defense minister is to be General Fernando Azevedo e Silva who was chief of the general staff of the army and was recently the adviser to the president of the Supreme Court, Dias Toffoli.

The new minister of science and technology will be the Brazilian astronaut, Marcos Pontes. Pontes who lives in Houston is a Brazilian Air Force pilot, engineer, and was the first lusophone to go into space in 2006 aboard the Soyuz MMA-8 space station.

General Maynard Marques de Souza Rosa, who was sacked by Lula for criticizing the “Truth Commission” which investigated the use of torture by the military during the military regime, has been brought back as an adviser.

Foreign Policy

Ernesto Henrique Fraga Araújo (51) Bolsonaro's nominee to be Minister of Foreign Affairs in his administration is a career diplomat who is currently the director of the US, Canada, and Inter-American Affairs division of the foreign ministry (Itamaraty). His views are also well known and Olavo de Carvalho recommended his appointment to Eduardo Bolsonaro, a right wing US based Brazilian journalist, writer, blogger and tweeter, and self-proclaimed "philosopher." (He lives in self-imposed exile from the PT regime in Virginia). Jair Bolsonaro had Olavo de Carvalho's latest book in front of him on his desk ("The minimum you must know in order not be a Idiot") in his Rio de Janeiro apartment after his election victory (along the Bible and a copy of the Brazilian Constitution).

Olavo de Carvalho has long been an advocate of Jair Bolsonaro.

In November 2017 he wrote that "the popularity of Bolsonaro is explained by this very simple factor, as much for his ideas as for his personality he represents the opposition to the Party (PT), but above all, to the establishment (the media included.)"

He has called the PT the "Party of the Terrorist."

He wishes to guide Brazil and the world to liberate them from the ideology of globalism.

"Globalism and economic globalization, which is guided by cultural Marxism. It is anti-human and anti-Christian system.

" It aims to create "an socialist axis in Latin America under the auspicious of a Maoist China in order to dominate the world."

Ernesto Araújo, a former student and follower of Olavo de Carvalho, has also outlined his philosophy in a series of blogs, tweets, and articles including an analysis of "Trump and the West."

He believes climate sciences is "dogma" and bemoans the "criminalization of red meat, oil, and heterosexual sex."

He claims that "cultural Marxists" have stifled western economic growth and promoted the growth of China.

He is also adept at twitter.

Jair Bolsonaro has expressed strong views on foreign policy questions. He has long attacked the PT alliances in Latin America with the "Bolivarian" left-wing regimes. He has attacked Mercosur and said Brazil would leave the trade bloc. He has said he would move the Brazilian embassy in Israel from Tel Aviv to Jerusalem. He has long attacked the Maduro regime in Venezuela. He has said that "China is not buying in Brazil, it is buying Brazil."

He is very pro-American and pro-Israel. He was baptized in the river Jordan. He is very anti-Cuba.

The U.S. response has been enthusiastic in some sectors and cautiously optimistic in others.

Thomas Shannon, a former top State Department official and former ambassador in Brazil, now working with a leading Washington law firm with long interests in Brazil, says that Bolsonaro offers “a big opportunity to do things with a government that wants to talk and sounds like the one here.” He mentioned increased security and scientific collaboration and research.

But he thinks “we won’t do things in a big strategic way, just get them to help us on Venezuela and Nicaragua and then walk away.”

Shannon has also suggested that Brazil might join NATO.

Others are more cynical.

One White House official said, “If we quickly embrace Bolsonaro we can help shape him.”

John Bolton has been much more explicit condemning Cuba, Venezuela and Nicaragua as “a Troika of Tyranny.” and “the cradle of communism in the Western Hemisphere.”

But Brazilian agro-business and iron-ore producers have pointed out to Bolsonaro that China is Brazil’s biggest market, and that moving the Brazilian embassy to Jerusalem will alienate Middle Eastern states, which are large importers of Brazilian beef. The Middle Eastern ambassadors have also said this directly to Bolsonaro.

And Brazil also has a large population of Middle Eastern origin, including the current president Michel Temer. So Bolsonaro has already backtracked on some of his earlier assertions.

But President Trump welcomes these views of Bolsonaro, as does John Bolton.

And Eduardo Bolsonaro will be visiting Washington DC shortly where he will speak with senior administration officials and at the American Enterprise Institute.

Environmental Policy

Jair Bolsonaro has chosen Tereza Cristina Dias nicknamed the “muse of poison” because of her views on relaxing controls pesticides.

While she was secretary of agriculture in Mato Grosso do Sul it is claimed she granted tax breaks and did business with meat processors JBS at the same time. These kickbacks through 2016 are estimated to be worth US\$40 million over the past 13 years. JBS is owned by the Batista brothers who are already in trouble because of a secretly recorded conversation with the current President Michel Temer and which could still lead to Temer’s arrest when he leaves office in January. Tereza Dias is in judicial dispute with JBS over the livestock on one of her rural properties in Mato Grosso do Sul.

Bolsonaro has also created a special secretariat for rural property owners (secretária especial de assuntos fundiários) and named his old friend Luiz Antônio Nabhan Garcia to head it.

Nabhan Garcia is the president of the UDR (União Democrática Ruralista).

He aims he says in his new position to make ” a healthy reform program, without (land) invasions.”

But the UDR is notorious, for organizing arms, contraband and militias.

And for its opposition to the land takeovers by the landless worker's organization said which has seen much violence in rural areas.

He also supports the deforestation of the Amazon in the interests of expanding agriculture.

He has been Bolsonaro's main point of contact with the big agricultural landowners.

But the environment and the fate of the Amazon rain forests are questions that engages a world wide audience and is a especially sensitive question as far as the Brazilian military, security, and foreign policy elite is concerned.

They tend to see ecological concerns with the fate of the Amazon rain forests as a means of diminishing Brazil's potential.

In the words of the new Brazilian Vice President, General Hamilton Mourao "environmentalism is used as an instrument of the advanced economies for indirect domination...environmental xiitas, non-governmental organizations take away the potential of our country."

Bolsonaro has already entered into a polemic with Norway over the Amazon.

The potential stripping away of indigenous protections and rights, and the opening up lands to mineral exploitation and rain forest clearance will undoubtedly cause major international concern and reactions.

Especially since Bolsonaro has threatened to leave the Paris Climate Agreements, and over the last year deforestation in the Amazon reached unprecedented levels.

Challenges

The problems, which have divided Brazil, remain as toxic and endemic as before the election.

The result of the election was a repudiation of the two political parties and the political leadership, which has dominated Brazil for the past 25 years.

But Brazil remains a divided country.

Intolerance and the angry demonization of opponents on both left and on the right remains deeply entrenched.

Chronic violence remains. Heavily armed militias and drug gangs and international narco-trafficking continue to link Brazil to international criminal networks, and dominate large swaths of the marginal neighborhoods and the favelas in all of Brazil's major cities.

The murder rate remains astronomical.

Social and racial inequality is still among the worst in the world.

Jair Bolsonaro may have seemed a solution to these chronic problems to many voters in Brazil.

But more guns and bluster may not be the answer.

Not all opponents are agents of a globalized communist conspiracy led by China.

Even though Steve Bannon, John Bolton, Olavo de Carvalho, and Jair Bolsonaro may think so.

The Second Circle of Dante's Inferno: Enter the World of Brazilian Presidential Elections

10/29/2018

By Kenneth Maxwell

Dante's "Inferno", the 14th century epic poem, where Hell is nine concentric circles of torment located within the earth.

It is the most appropriate analogy for the seriousness of the national dilemmas and the international challenges that confront us

In my last piece, I started with the outer circle of Dante's hell: The threat of global disorder.

It is clear that the post WW2, but more importantly, that the post-cold war global order is unraveling.

The tectonic plates are shifting.

This is occurring both in geopolitics and in global financial markets. We do not see clearly yet how the new balance of global military, economic, and political power, will be configured.

But a reconfiguration is clearly underway.

Now I am progressing to the second circle of Dante's inferno — Brazilian dynamics and Presidential elections.

The second round of the Brazilian presidential elections took place on Sunday 28th October.

The victor was the far-right populist former army captain, Jair Bolsonaro, with 55.13% of the votes.

The first round had taken place on October 7th. Jair Bolsonaro came very close to winning the 50% of the valid votes needed to avoid a second round.

But with 46% of the votes he was forced into a runoff with Fernando Haddad, his opponent from the workers' party (PT), who had received 29% of the votes.

The wide gap between the two candidates had narrowed considerably over the course of the campaign.

The Datafolha opinion poll (conducted between the 8-10 October) gave Bolsonaro 58% of the valid votes to Haddad 42%. On the eve of the election the difference in Datafolha polls was 55% for Bolsonaro and 45% for Haddad.

The rejection rate for both candidates remained very high: At 45% for Bolsonaro and at 52% for Haddad.

But in the end Bolsonaro won decisively.

He received 57,797,416 votes, Haddad 47,040,380 votes.

But abstentions were high at 31,371,204 votes or 21.30% of the total votes.

Bolsonaro has been called the tropical Donald Trump and a Brazilian Rodrigo Duterte after the Philippines president.

Jair Bolsonaro and Fernando Haddad: What do they represent?

Fernando Haddad (55) was the substitute for the jailed former two-term president Luiz Inacio Lula da Silva, better known simply as “Lula.”

Jair Messias Bolsonaro is a reserve army captain, former parachutist, and long-term congressman.

Lula is in jail convicted of corruption and money laundering. Much as in the US in the 1930s in the case of the gangster Al Capone who was convicted of tax evasion, Lula was convicted by Federal Judge Sérgio Moro in Paraná on a relatively minor corruption case concerning a beachfront triplex apartment in the coastal Sao Paulo State city of Guarujá, paid for by the construction company OAS, in return for steering contracts to the company before he left office.

The information was obtained by plea bargains with Leo Pinheiro, the former head of OAS.

Plea bargains have transformed the Brazilian judicial system and have been at the heart of the process by which Brazilian federal prosecutors unraveled the massive kickback scandal involving Petrobras, the state controlled Brazilian multinational petroleum company.

Many businessmen and politicians have been caught in the “Lavo-Jato” (car-wash) investigations, including the former speaker of lower house of Congress, Eduardo Cunha, who was jailed for 15 years, and Antonio Palocci, the former finance minister and long term Workers Party (PT) fixer, who has signed a plea bargain which places Lula at the center of the PT’s web of corruption.

The country has been bitterly divided between Lula’s supporters and the anti-Lula forces.

Many Brazilians see Lula as a crook.

Yet many Brazilians continue to think he is a saint.

Both sides are right in part.

Lula did preside over one of the most corrupt regimes in Brazilian history.

But he also left office with approval ratings of 84% according to Datafolha in 2011. He presided over an administration during boom times for Brazilian exports and he lifted many out of abject poverty in one of the world most unequal societies, especially in the North East of Brazil.

These voters remained loyal to Lula even in prison while the rest of the country voted overwhelmingly for Bolsonaro.

The most striking feature of the election campaign has been the high rate of rejection rates of both candidates by voters in the opinion polls. Bolsonaro's rejection rate hovered between 35% and 39%. Haddad's between 42% and 44%.

The antipathy to both candidates was deep and consistent and it will make reconciliation very difficult.

Fernando Haddad was Lula's substitute. But this substitution took place at the very last moment on September 11 when Lula handed over his presidential candidacy to Haddad who until that point was his vice-presidential running mate.

Haddad is not from the radical wing of the PT. He is the son of a Lebanese immigrant to Brazil and is a Lebanese Orthodox Christian. He studied at the University of São Paulo and has an MA in economics and a PhD in philosophy from the University of São Paulo where he became a professor political science. He was minister of education between 2006 and 2012 during the presidencies of both Lula and Dilma Rousseff.

Haddad was elected mayor of São Paulo in 2012 and served until 2017. While mayor he faced the largest mass demonstrations since 1992 when he raised the cost of public transportation and the Metro in Sao Paulo in 2013. His approval ratings fell to 4%.

In the subsequent municipal elections he was roundly beaten by Joao Doria, a wealthy businessman and journalist who was the host of the Brazilian TV edition of "The Apprentice." Haddad received only 17% of the votes.

After Lula's benediction in September 2018, Haddad's polling results immediately jumped. Haddad's running mate was Manuela D'Avila from Rio Grande do Sul and a member of the Communist Party of Brazil

But it was always Lula/Haddad during the campaign.

After the results were in the first person Haddad visited was Lula in his jail in the Federal Police Headquarters in Curitiba in the State of Parana. During the second round of the presidential campaign Haddad sought to distance himself from Lula by adopting the colors of the Brazilian Flag (Yellow and Green) in his campaign slogans, rather than the red flag and red star of the PT. But Lula always hovered in the background, both repulsion and attraction in equal measure.

Jair Messias Bolsonaro (63) is a Reserve army captain and former paratrooper. He is from a lower middle class family from Glicerio, Sao Paulo, and attended a military school in Campinas in São Paulo, before entered the Brazilian army's military academy of Agulhas Negros in Resende, Rio de Janeiro.

He served for 17 years in the army but not without controversy. He was interviewed by a major weekly newsmagazine and complained about the pay and conditions of junior officers. He was arrested for 15 days, and acquitted two years later.

But in the interim he became a household name and very popular among military hardliners and right-wingers. He entered the reserves in 1988.

Bolsonaro has been elected four times to the lower house of congress from Rio de Janeiro and he has served in Congress for 27 years. He has been affiliated with 8 political parties during this time and only joined the PSL (The Social Liberal Party) earlier this year.

He is of Italian and German ancestry, has been married three times, and has 5 children. In Congress he has been adamantly hostile to left wing policies, opposed same sex marriage, abortion, affirmative action, and drug legalization. He is infamous for his homophobic, racist, violence inciting, misanthropic, and sexist outbursts (as well as for his lack of legislative achievements.)

He attacked the former human rights minister, Maria do Rosario, by saying she was “not worthy of being raped.” He said the error of the Brazilian military dictatorship was that it “tortured but did not kill”.

He has praised the regimes of Alberto Fujimori in Peru and of Augusto Pinochet in Chile.

When Bolsonaro voted for the impeachment of Dilma Rousseff in Congress he eulogized Colonel Brilhante Ustra, the head of DOE-CODI in São Paulo, where Dilma was tortured. He has been pro-American and pro-Israel since the 1980s.

He is opposed to immigration, especially from Haiti, Africa, and the Middle East, which he describes as “the scum of humanity.”

He defends the Brazilian military regime. His slogan is “property, liberty, family, on God’s side.” His opponent he claims is taking Brazil “on the path to Venezuela.”

He has strong support from three critical blocs in the congress, the so-called bullets, bible, and beef brigade; that is those members of congress who represent the interests of the powerful Christian evangelicals, the rural interests of big landowners, and the powerful gun lobby.

Bolsonaro was severely wounded on September 6th during an assassination assault when he was knifed in the stomach during a campaign rally in Juiz de Fora in Minas Gerais.

He was saved by the speedy intervention of surgeons at local hospital. He was then transferred to the Albert Einstein Israelite Hospital in Sao Paulo. After several operations and a month in hospital he returned to his apartment in the upper-class neighborhood of Barra de Tijuca in Rio de Janeiro, but did not campaign publicly thereafter preferring to reach his supporters via WhatsApp, the Internet, and the occasional friendly television interviews.

The election results in the first round disposed of the competitors.

The most serious of which was **Ciro Gomes**, who was a perennial presidential hopeful. **Ciro** was in his seventh political party and he is notorious for putting his foot in his mouth.

More seriously, former president **Lula** from his jail cell in Curitiba regarded **Ciro** as the most serious presidential challenger on the left to his legacy of support among PT voters, and **Lula** orchestrated the isolation of **Ciro**.

Lula also intervened behind the scenes to gain the support of political leader of the so-called “centrao,” former congressman **Valdemar Costa Neto**, to support the PSDB candidate **Alckmin** and not **Ciro**.

Not surprisingly **Ciro Gomes** left Brazil after the first round, and he only returned to Brazil on the eve of the second round when he announced that he would not support **Haddad**. **Geraldo Alckmin**, who is a former long-term former PSDB governor of São Paulo, received less than 5% of the votes.

Also defeated in the state senatorial races were former PT impeached president **Dilma Rouseff** in Minas Gerais (she came in 4th place), and the PT’s Senator **Eduardo Suplicy** in Sao Paulo (he came in 3rd place.)

The Political Context

Since democracy was restored in 1985, and since the constitution was promulgated in 1988, the Brazilian political scene has been dominated by two major political parties, the PSDB (the Brazilian social democratic party) and the PT (the Workers Part) and by two leaders, **Fernando Henrique Cardoso (FHC)** and **Lula**.

Haddad represented the PT. **Alckmin** represented the PSDB.

But the great victim of the elections was the PSDB. It has always been a party of many caciques. But **FHC**, the historical leader of the PSDB, and an internationally known sociologist, has spend more time promoting the legalization of marijuana in recent years than in promoting the cause of pubic security, which has become one of **Bosonaro**’s major public issues, and is a major concern in a country which has seen a exponential rise of insecurity and violence on the streets and in the poorer neighborhoods.

There were 56,101 murders in Brazil in 2017.

Brazil is a heavy importer of cocaine and is a major part of international drug routes. Gangs and gang related violence is rife in the favelas and marginal peripheral regions and favelas of Rio and Sao Paulo, and violent turf wars have racked the urban slums and the prisons. 40% of murders are of youths between 15 an 25 years of age.

Most of them are poor, marginal, and black. The police are often bribed not to interfere, or are themselves drug dealers. For the majority of Brazilian population in “Brasil profundo” the preservation of life was more important than the legalization of marijuana.

The PT proved more resilient in the congressional races at the grass roots level, returning 56 to the lower house of the congress. The Social Liberal Party (PSL) of **Bolsonaro** was the real winner, gaining 52 deputies. The Movement for Democratic Brazil (MDB), the party of president **Michel Temer** gained 33 seats.

Although the PSL is the second largest bloc in the lower house of congress, the PSL coordinator and the future chief of staff to the president elect, Onyx Lorenzoni, is likely to attract the support of many of the smaller parties, as well the MDB, which has supported every party of government since 1986.

Eduardo Bolsonaro, the son of Jair and his close adviser, was elected to the lower house of the Congress from São Paulo by the greatest number of votes in Brazilian history. Jair Bolsonaro's other son, Flávio Bolsonaro, was elected to the Senate from Rio de Janeiro.

The Senate also saw a major change.

But the new Congress is likely to be less sympathetic to the widespread privatizations and the fiscal and social security reforms that Bolsonaro's economic advisers have in mind, and many outside observers believe are urgent and essential.

More seriously there has been a creeping militarization of Brazilian politics over the past two years.

Bolsonaro's vice presidential running mate is General Hamilton Mourao, like Bolsonaro a military officer now in reserve. General Mourao who had commanded the southern military region, became controversial when in September 2017 in Brasilia he declared at the Masonic Grande Oriente lodge, that among the duties of the Brazilian military if the judiciary was incapable of guarantying law and order, then the army would impose it through military intervention.

The security in Rio de Janeiro had in the meanwhile been taken over by the military.

A general now heads the ministry of defense.

And the head of the Supreme Court has taken on a general as his "adviser."

The presidential contest was also characterized by the rise of digital campaigning; a strategy led another of Jair Bolsonaro's sons.

Carlos Bolsonaro, via WhatsApp, Facebook, and twitter. Seven out of every 10 Brazilians use WhatsApp for information, some 120 million Brazilians. Anti-PT, and moralistic messaging and "fake news" flooded across dozens of groups of WhatsApp users.

The power of this means of digital communication had been vividly demonstrated last year during the trucker's strike, which effectively brought Brazil to a dead halt.

Bolsonaro will in all likelihood be another president addicted to the tweet.

Steve Bannon has been one of Bolsonaro's supporters.

And in foreign policy the Trump White House will find it has a new like-minded ally in Brasilia that agrees with Trump about Venezuela as well as China and speaks the same language.

But the fundamental causes of discontent are the deep and lingering recession, the chronic violence and insecurity of everyday life, the grotesque corruption of politicians, and a collapse of faith in the traditional political system.

Shaping a Way Ahead

Bolsonaro's economic guru is Paulo Roberto Nunes Guedes (69) who will be the economy minister in the Bolsonaro government.

His views are well known. He has been a columnist for Rio de Janeiro based newspaper "O Globo" where he came to the attention of Bolsonaro. He is a carioca (from Rio de Janeiro) who was educated in economics at the Federal University of Minas Gerais. Then he obtained a masters degree from the Fundacao Getulio Vargas, and went on to gain a PhD in economics from the University of Chicago where he worked under the late Milton Freidman of whom he is a great admirer. His thesis at Chicago concerned mathematical models on fiscal policy and foreign debt.

Guedes has always been an orthodox liberal in terms of economic policy, promoting the reduction of the size of the state, cuts in state expenditures, a floating currency, and a Brazil open to world trade.

He is a strong supporter of privatization. During the early 1980s he was invited to teach at the University of Chile for \$10,000 a month with a round trip airfare between Chile and Brazil. The university of Chile was then under military intervention, and economists from the University of Chicago had been invited by the Pinochet regime to implant a policy of economic liberalism following the principles of Milton Freidman.

The invitation to Guedes came from the director of the school of economics and business, Jorge Selume, who was also director of the budget for Pinochet, and was one of Guedes colleagues among the "Chicago Boys" during the Pinochet regime.

Guedes says that the Pinochet dictatorship was "irrelevant from the intellectual point of view." This is a view he has also promoted in his newspaper columns and which drew the attention of Bolsonaro.

"The death of the old politics is another face of the intellectual advance of this country," he wrote.

"The imprisonment of Lula is evidence that the old politics is dead in the public place."

He continues: "Only the reform of the economy, eradicating control, and decentralization, can regenerate the political class." The errors of the past he writes include "the Brazilian labor and social security regimes which are economically disastrous and socially perverse."

It is little wonder that the Sao Paulo stock market rose following Bolsonaro strong result in the first round of the presidential election.

Bolsonaro says he "knows nothing" about economics and that Guedes is "his man."

It is not surprising that Bolsonaro/Guedes is by far the "market's" favorite.

Bolsonaro represents, Guedes wrote, "a middle class that has been forgotten and abandoned and attacked in their values and their desire for order."

On his return to Brazil from Chile, Guedes was one of the founders of Banco Pactual, which in 2009 became BTC Pactual, and he was one of the founders of the "think-tank" the Instituto Millenium which

promotes a liberal vision, individual liberties, the right to property, a market economy, the rule of law, and institutional limits on government actions. Many leading Brazilian businessmen support it. Guedes is the CEO of Bozano Investments.

But Guedes has always been an outsider among the economist establishment in Brazil.

He has never held a government position, or a regular university position in Brazil, and its denizens do not fondly regard him, nor does he fondly regard them. He was too orthodox for one group, and not orthodox enough for the other.

He is likely to head a super-ministry under Bolsonaro, which combines the ministry of economy (fazenda) with the planning ministry and ministry of industry and commerce.

Brazil under president (reserve) captain Bolsonaro, and vice-president (reserve) General Hamilton Mourao will enter very turbulent waters.

Will Paulo Guedes be able to implement his draconian economic policies?

Will Jair Bolsonaro carry out his draconian social agenda?

One thing is certain.

They will certainly try to.

Brazil has entered a very new and very dangerous new world.

Brazil's Presidential Election: Wither Brazilian Democracy?

06/20/2018

By Kenneth Maxwell

With the Presidential election in Brazil due this October the country remains profoundly split between uncompromising extremes.

And the political scene remains highly uncertain.

Hovering in the background is the figure of the ex-president of Brazil, Luiz Inacio Lula da Silva, better known as Lula.

He is a former two-term president who is now in prison charged with corruption and money laundering.

But if he were, by some implausible miracle, to actually run for President again, some 30% of the population, according to the most recent public opinion polling by DataFolha, would still vote for him.

But Lula's rejection rate is equally formidable, standing, according to the latest DataFolha poll, at 36%. While half the population love him.

Half the population hates him.

Lula undoubtedly remains a hero to many, both within Brazil and internationally, even though he is a leader who presided over a massive corruption scandal, where the state petroleum company, Petrobras, became a piggy bank for an astounding array of national and international corruption scandals, involving many of Brazil's major national and multinational construction companies, and which has permanently blighted the reputation of the Worker's Party he founded (PT).

The dimensions of the Petrobras corruption scandals, and in particular those involving the Brazilian multinational construction company, Odebrecht, has had large national and international consequences, not least in Mexico, where the tentacles of Brazilian corruption are still being covered up by the Mexican government where a presidential contest is also underway.

It is a fact that if Lula was to return to office, he would not be at all friendly to those whom he claims targeted him for unjust punishment.

He would not be the "market friendly" to those who he believes have conspired against him.

The other great protagonist of the last 20 years in Brazilian politics, the Brazilian Social Democratic Party (PSDB) is also in tatters.

The putative candidate of the PSDB, is Geraldo Alckmin, the former long term governor of São Paulo. He held the post for the longest period since the re-democratization of Brazil in the mid-1980s. (Alckmin was Sao Paulo's governor between 2001 and 2003, and again between 2004 and 2006, and again between 2011 and 2014, and again between 2015 and 2018.)

He is also a former presidential candidate for the PSDB having been defeated by Lula in 2006.

But he has only 7% support according to the latest opinion surveys while his rejection rate stands at 27%. (He also spent a year sabbatical as a visitor at Harvard.)

The octogenarian, Fernando Henrique Cardoso (FHC), the grand old man of Brazilian politics, and one of the founders of the PSDB, and a former two-term PSDB "Sociologist-President" (for such he was anointed when he was awarded the million dollar John W. Kluge Prize "recognizing an impact on public life" by the Library of Congress in 2015), meanwhile fulminates on the sidelines, seeking plausible (or rather implausible) would-be presidential candidates.

He writes in the *Washington Post* that Brazil risks becoming a Venezuela.

But his PSDB is also mired in potential and actual corruption scandals, which has already severely damaged the reputation of Aécio Neves, the former Governor of Minas Gerais, and current senator from Minas Gerais, who was the PSDB's candidate in its last unsuccessful presidential campaign against the PT's Dilma Rousseff.

FHC spent a period as a visiting professor at Brown University after he left office, among many US academic visiting appointments he has held over the years.

The party of “permanent” power within the Brazilian political constellation (it has been a part of every Brazilian government since the mid-1980’s), the party of the Brazilian Democratic Movement (PMDB), recently cosmetically rebranded as the Brazilian Democratic Movement (MDB), has since the impeachment of Dilma Rousseff, actually emerged from the shadows to hold the presidency of Brazil.

But Michel Temer, the current MDB head of state, is the most unpopular President in Brazilian history, with only 2% of popular support.

He is dead fish drowning in very polluted water. But unlike Jesus, neither Lula, nor Alckmin, nor Michel Temer, has much hope of resurrection.

The candidate most closely associated with the deeply unpopular Temer regime, former BankBoston head, and Michel Temer’s former Minister of Finance, Henrique Meirelles, has only 1% of the intended votes.

But those seeking a new savior think they have found a “Tropical Trump” “in the person of the far-right Rio de Janeiro congressman, former army parachutist and army reservist, Jair Bolsonaro, who without Lula as a candidate, is running ahead in the latest opinion polls.

Jair Bolsonaro has extreme opinions on all matters.

He is an outspoken admirer of the torturers of the military regime.

When he voted for the impeachment of Dilma Rousseff he eulogized one the most notorious torturers of the military regime. Dilma was of course a victim of torture.

Bolsonaro needless to say is hostile to gays and same sex marriage.

He is also courting the evangelical vote, and he is rapidly becoming the putative darling of the “markets.”

He is in any case already the favorite of the richest Brazilians.

The other candidate with popular support is Marina Silva, an environmentalist, and the inheritor of the mantel of Chico Mendes, the assassinated leader of the Amazon rubber workers. She is a woman with a personal biography to match that of Lula.

Of humble origins she comes from the Amazonian state of Acre. She only learnt to read and write in her late ‘teens. She is an evangelical Christian (which is the fastest growing group in Brazil even though Marina is not thought to be sufficiently “overt” in her evangelical faith by many evangelicals, unlike Bolsonaro.)

Marina served as environmental minister in the first Lula government until she fell out with Lula over Dilma Russeff’s policies when Dilma was Lula’s minister of mines and energy.

Marina is also a previous presidential candidate.

The other potential candidate with traction is Ciro Gomes, affiliated with the Democratic Labour Party (PDT). Ciro Gomes has previously been associated with six political parties. He is another perennial political figure who has long campaigned at home and abroad. (He has spent time as a visiting researcher at the Harvard Law School).

Ciro Gomes is from the northeastern state of Ceara. He was a former mayor of Fortaleza, a former governor of Ceara, former minister of finance under President Itamar Franco.

Like Michel Temer, Itamar Franco, was a vice-president who inherited the presidency of Brazil after an impeachment.

Under Itamar Franco, he implemented the “Real Plan” which ended Brazil’s chronic inflation.

He served as minister of national integration under Lula.

He could well receive the tacit support of Lula in the upcoming presidential elections.

Meanwhile Brazil faces a chronic on-going crisis of public security and the lingering consequences of severe economic recession.

It is also experiencing creeping militarization of public institutions (the minister of defence is now held by a general for the first time since the position was created).

And the national mobilization of truck drivers has demonstrated they can strike and bring the country to a standstill, and force the capitulation of a weak and unpopular government to their demands.

With a totally discredited and weakened president in Brasilia hanging onto office by default, the political class in Brasilia is seen by many Brazilians as ever more isolated and ineffective.

It is a very dangerous cauldron for democracy in a critical election year.

The Brazilian Political Crisis Deepens: The Centipede’s Shoes are Dropping Globally

05/25/2017

By Kenneth Maxwell

In a highly globally interactive world, crises in one part not only have an impact elsewhere, but can have an unanticipated set of impacts.

This is clearly the case of Brazil and its deepening political crises, which given the importance of the Brazilian economy and global ties, will have accelerating impacts worldwide.

This has already been seen in France where an investigation is underway with regard to the impact of corruption in Brazil on a submarine contract.

This is hardly where President Macron would like to start his mandate, but many other global leaders will be waking up to the knock on consequences of the deepening Brazilian crisis.

The Brazilian crisis is clearly deepening and rapidly so.

On Wednesday evening, 17th May, 2017, the Rio de Janeiro newspaper “O Globo” dropped a bombshell on Brasilia.

Its columnist, Lauro Jardim, reported on an explosive denunciation made by Joesley Batista, co-owner of JBS, which is Brazil’s largest private sector company.

During a meeting with Michel Temer, the president of Brazil, held late in the evening of March 7th at the Juburu Palace (which is the official residence of the vice-president, but where Temer prefers to live), the two men discussed the payment of hush money to Eduardo Cunha, who is currently imprisoned for 15 years and four months in Curitiba by Federal Judge Sérgio Moro in the ongoing “Lava Jato” (“car wash”) mega-corruption scandal.

This scandal involves kickbacks paid by Petrobras, the mega-Brazilian multi-national state controlled petroleum company, in bribes or inflated cost over runs paid to Brazilian politicians, political parties and the political electoral campaigns, and to favored corporations for bloated and corrupt special deals. Eduardo Cunha is the former president of the lower house of congress who orchestrated the impeachment last year of Temer’s predecessor, Dilma Rousseff.

Joesley told Temer that the bribe was intended to buy Cunha’s silence in the ongoing “car wash” (lava jato) anti-corruption investigation.

Joesley also said he had paid bribes to a federal prosecutor to receive inside information on the “lava jato” probes, and that he had two federal judges also providing him with inside information. The president did not object at any point to this information.

Nor did he inform the judicial authorities that the conversation had taken place, or what they had discussed.

Joesley had turned secretly recorded tapes of the discussion over to the Attorney General on April 7th. The day after “O Globo” published these recordings on 17th May, on Thursday, 18th May, Supreme Court Judge Edson Fachin, responsible for overseeing the “car wash” (lava jato) proceedings, which has already seen many Brazilian politicians and businessmen jailed for corruption, released the audiotapes.

In these tapes, President Temer said in response to being told of the bribe to Eduardo Cunha: “You’ve got to keep this up. OK?”

The audios are now available to anyone who wants to listen on the Internet.

But more was to come.

Judge Fachin also released videos implicating Senator Aécio Neves, the leader of the PSDB, and former PSDB presidential candidate, who was narrowly beaten by Dilma Rousseff in the last presidential election, in bribe taking.

The videos showed the first installment of a large bribe being delivered to an intermediary for Andrea Neves, Aécio's sister.

In an ongoing operation following the methodology used by the FBI for surveillance of the Mafia, the Brazilian Federal Police and the Attorney General followed and recorded the first payment of R\$ 500,000 (in numbered notes and with a chip) part of a R\$2 million bribe, being delivered by Frederico Pacheco de Medeiros, a cousin of Aécio Neves and the former coordinator of Aécio's campaign.

There is a very heavy symbolic meaning to these revelations.

Aécio Neves is the maternal grandson of Tancredo Neves, the first president elect (by indirect vote) of the newly restored democracy. Tancredo Neves died before he could take office. But he has become a symbol of probity and democracy in Brazil.

By the end of the day Senator Aécio Neves had been "suspended" from the Senate by the Supreme Court and Andrea Neves was arrested and jailed in Minas Gerais.

President Temer appeared later that same evening in a nationally broadcast televised address to the nation: He declared angrily: "I will not resign, I say again, I will not resign."

It was too Nixonian to be believed.

The only missing figure in the background was that eternal Nixonian eminence gris, Henry Kissinger. JBS is the largest family owned private sector conglomerate in Brazil.

It began as a small butcher's shop and slaughter house in Anapolis, in the interior of the interior state of Goiás in 1953. By 2016 it had a turnover of R\$170 billion. 40 major Brazilian companies and brand names are part of its corporate business.

It is Brazil's major beef and beef products exporter to 150 countries, and has 230,000 employees worldwide, with major markets in Europe, the Middle East, Africa and Asia.

It is the largest producer of beef products in the world.

In 2007 JBS bought US based Swift & Company, one of the world's major beef brands, for US\$1.4bn. And in 2009 acquired the US chicken producer, Pilgrim's Pride for US\$2.8bn. Joesley Batista's brother, Wesley Batista, is chief executive and head the holding company.

(Brazilians have a habit of adopting English pre-names, though it is very doubtful if the founder of Methodism, Charles Wesley, would have approved of Wesley Batista or his brother).

JBS grew and thrived during the construction of Brasilia, Brazil's new interior capital, in the 1960's, by catering for the workers.

Its operations expanded exponentially during the years of the Worker's Party (PT) governments under president Luis Inácio Lula da Silva (2003-2010) and president Dilma Rousseff, (2011-2016). JBS benefited as a "national champion" from soft loans from the Brazilian Development Bank (BNDES). The operation of BNDES, which is larger than the World Bank, was the remaining "black hole" of the Brazilian corruption investigations.

The BNDES saw a dramatic increase in its financial resources after 2005 when the development bank was "internationalized" providing the financing for large-scale overseas investments in Africa, Latin America, and in Europe.

BNDES provided JBS with R\$8bn in loans and equity and raised its stake in JBS from 15% to 30%. In 2014 JBS was the major donor to political parties and candidates in Brazil, spending R\$391 m in support of 164 federal deputies, 6 governors, and the presidential campaign of Dilma and Temer. JBS has been involved in the alleged bribery of government inspectors to issue health certificate for meat. The scandal had a major impact on Brazilian meat exports.

And JBS lost half of its value on the São Paulo Stock Exchange.

The Batista family owns 44.15% of JBS. Temer said in his defense that Joesley had come to him to discuss the federal action against JBS, but the actions of the Federal Police (Carne Fraca) had in fact taken place ten days before, and JBS was under investigation for its connection to pension funds and loans from the Brazilian Development Bank (BNDES).

This past week seven executives of JBS and its holding company J&F investments, agreed to pay fines of R\$225m (US\$68m) and to tell prosecutors all they know about corruption in Brazil in exchange for leniency.

The "delações premiadas" (plea bargaining) of the owners and executives of the other great Brazilian multinational private sector conglomerate, Odebrecht, has already led to many Brazilian politicians and businessmen being charged and jailed for corruption involving the huge kick backs and bribery schemes at Petrobras, the state controlled petroleum multinational corporation, including Eduardo Cunha, the object of Joesley and Temer's solicitous discussion during their secretly taped (by Joesley) late night session at the Juburu Palace.

The "delações premiadas" of the JBS Batista brothers has already (according to leaks in the press) involved former President Lula, former president Dilma Rosseff, as well as the former PSDB presidential candidate and senator José Serra, and the former president of the senate Renan Calheiros (PMDB), in addition to Aécio Neves. The Federal police have been taping the Batista bothers for months.

The videos of their interrogations have also now been released.

On Friday, Rodrigo Janot, the Brazilian Attorney General (procurador geral da república) charged President Michel Temer with "corruption, obstruction of justice and criminal organization." Judge Fachin opened an inquiry against Temer, Aécio and congressman Rocha Loures, the intermediary in the bribe transaction, and the man who has been Temer's close aide both before and after he assumed the presidency.

On Saturday, “O Globo” in an editorial called for the resignation of President Temer and also condemned the “mega-businessman” (that is Joesley Batista) “who is subject of 5 operations by the federal police over millions of bribes paid to public authorities.”

In the meantime, Joesley Batista of JBS a week before left for New York City on his private jet and was holed up in New York City, in his luxury apartment in the Baccarat Residences on Fifth Avenue at 53rd Street, overlooking the Museum of Modern Art.

He has apparently now left for another (undisclosed) location.

The reaction of the financial markets, both in Brazil and internationally, has been immediate following the publication of Temer’s comments. The São Paulo stock market (Bovespa) tumbled, losing 10.47 per cent of its value, and market regulators triggered a circuit breaker.

The value of the Brazilian currency, the “real”, slumped by nearly 8 per cent. The fear was that the reform package Temer was pushing through the Congress would stall.

The legislation was intended to curb the huge deficits in the social security and the generous Brazilian pension schemes and reform workers rights. There have already been (at times violent) protests against these reforms on the streets and from public sector workers, as well as from the police, the armed forces and prison officers.

Temer’s popularity (at 9%) is already at a historical low.

The São Paulo stock market and value of the Brazilian currency had recuperated by the end of the week. But the one month implied volatility of the currency, an indication of how much investors are willing to pay to insure against the real’s swing over the next thirty days, surged by over 70%.

The only Brazilian billionaire to benefit from the fall in the value of the real was Eduardo Saverin, whose net worth increased. Saverin was the Brazilian co-founder of Facebook with his Harvard classmate Mark Zuckerberg in 2004. He has since left the company and was the subject of the movie “social network.” He was worth US\$8.6bn in 2017. Facebook in fact has become a major source in Brazil and beyond for information on the developing Brazilian crisis.

Will the crisis in Brazil get worse?

Undoubtedly it will.

One thing is certain.

Michel Temer’s presidency is now hanging by a thread.

He is now a Zombie president. His critics have long compared the 76 year old a butler in the film Dracula.

But to find a constitutionally acceptable successor is not at all straightforward.

If Michel Temer resigns he could well be arrested: As president he is at least protected from this eventuality.

The next in line of succession is the president of the lower house of congress, Rodrigo Maia, followed by the president of the senate (Eunício Oliveira), and then by the head of the Supreme Court (Carmen Lúcia).

Another name mentioned is Henrique Meirelles, the economy minister, responsible for the pension reforms, and a candidate preferred by the bankers, investors, and the big Brazilian and foreign business interests. Meirelles lived for many years in US and was an executive of Bank of Boston and ended up as the head of Bank of Boston. He then headed of the Brazilian Central Bank under president Lula. He is a man with his own political ambitions.

But when he left the Central Bank he was recruited by the Batista brothers to become chairman of J&F their holding company. During Joesley Batista's tapped conversation with Michel Temer the two men had discussed means of bringing pressure to bear on Meirelles.

There are other "delações premiadas" bombshells yet to come: From the executives of JBS, as well as the continuing investigations by Judge Moro in Curitiba into the sprawling "lavo jato" cases. The arrest and imprisonment of Sergio Cabral, the former governor of Rio de Janeiro, revealed more sordid details of the millions skimmed off in the cozy relationships between politicians and businessmen over the years. More revelations involving the major Brazilian pension funds, banks, and possibly military procurement, can all be expected in these metastasizing corruption scandals.

Including above all the case of former president Lula and former president Dilma Rousseff. Lula was according to the testimony of Renato Duque, the former Petrobras director of services the "big chief" of the whole operation. Antonio Palocci was the "operator."

That is the only one authorized to act of Lula's behave in the Petrobras corruption scheme. Dilma was well aware of the scheme according to Duque, which is no surprise given the fact that she was the head of Petrobras, was the former minister of mines and energy, was the former chief of staff to Lula and was president of Brazil. And JBS also says that an offshore account was opened for Lula and for Dilma.

While Oberbrecht provided valuable unpaid work for Lula on the Atibaia estate where he and his wife enjoyed the swimming pool among other "free-bees."

Judge Moro will be hearing testimony about the actions of Antonio Palocci in the coming week. Palocci has many secrets to spill if he strikes a plea bargain with Judge Moro. He was many years Lula's closest aide, is a former minister of the economy, was the intermediary in these dealings, as was his successor as minister of the economy, Guido Mantega.

Aécio Neves has denied the accusations against him and has requested his banning from the senate be lifted by the Supreme Court.

But on Monday 22 May, Neves left his position as a weekly columnist for "Folha," the São Paulo based newspaper, and the major Brazilian mainstream media competitor of the Rio de Janeiro based "O Globo", which first broke the Temer story.

President Michel Temer has also returned to the television to say that the Joesley tapes had been “doctored”, and that he had been a “ingenué” to have allowed Joesley to speak with him at the Juburu palace. And that he is the victim of “a conspiracy by subterranean interests.”

But if Temer is anything he is certainly no “ingenué.”

Like his former colleague the jailed Eduardo Cunha, Michel Temer has been a permanent fixture and power broker in the back backrooms of Brasilia politics for the past thirty years. Over the weekend the Brazilian Bar association weighed into the dispute.

A day after Temer has rounded on his chief accuser, the bar association voted by 25 to 1 in favor of requesting that the congress begin impeachment hearings against Temer.

But the role of the judiciary has also come under question.

Particularly the actions of several judges on the Supreme Court have been questioned.

He has called the federal prosecutors “a bunch of incompetent young boys” and he granted “habeus corpus” to Eike Bastita and José Dirceu, allowing both men to be released from custody over the objections of Supreme Court Justice Fachin who oversees the “lava jato” investigations for the Supreme Court. These two men are both central figures in the Brazilian corruption scandals. Eike Batista was the favorite poster boy of the boom years under Lula when he was (temporarily as it turned out) Brazil’s richest men. José Dirceu was the eminence grey of the Lula presidency.

A former radical student leader released from jail during the military regime as part of an exchange of the kidnapped American Ambassador. He then lived in Cuba and was infiltrated back into Brazil under an assumed name. He handled Lula’s (successful) approximation with the Brazilian and international business and financial elites after Lula’s election to the presidency, and he was the principal “fixer” and mastermind behind the buying off of congressmen and political parties during the first (the mensalão scandal) Lula presidency. The dispute has become very nasty with various judges being accused in leaks to the press of having relatives working for the accused, as indeed they do.

And the first interrogation of Lula by Judge Moro in Cuitiba made for dramatic video watching, but was inconclusive.

But this should have surprised no one. Lula is a past master rhetorician. He was in any case appealing to his supporters outside Judge Moro’s courtroom. And he blamed any “irregularities” on Marisa Leticia, his late wife, who died last February 3 in São Paulo.

“Lula,” as Lula calls himself, said he knew nothing.

What is certain?

The crisis in Brazil will get much worse in the coming days and there is no clear path out of it. The next deadline will be June 6th, when the superior election court is scheduled to rule on the validity of the election of Dilma/Temer in the last presidential election.

Temer's election (as the vice-president on Dilma Rousseff's presidential ticket) could be "cassado" (declared invalid). In which case Rodrigo Maia would assume as interim president for 30 days before indirect elections in the congress which would chose a new president to serve until December 2018. Direct elections would need the intervention of the Supreme Court, or a change in the constitution. Former president Fernando Henrique Cardoso (FHC) has evidently decided that Temer will not survive the political tsunami. He has begun "articulating" (which is a marvelous Brazilian euphemism for back room deal making) an alternative.

His choice is Nelson Jobim, a lawyer originally for Rio Grande do Sul, former minister of justice under FHC who appointed Jobim to the Supreme Court where he served from 1997 to 2011 ending as the president of the Supreme Court. He then became defense minister under Lula and Dilma (until he was sacked by Dilma.) Jobim has warned of the "intolerance and hatred, which prevents dialogue."

FHC believes Jobim could (potentially) bridge the chasm between the political parties in Congress. But FHC and Lula remain part of the problem. They both represent the great divide in Brazilian politics. Both represent the different political coalitions, which have dominated Brazilian politics over the past forty years. Both men are despised or loved in equal measure by their supporters and by their opponents.

Both are believed or disbelieved in equal measure.

They are unfortunately part of the "fear and loathing" and the suspicion and paralysis, which gripes Brazil

But the stresses nevertheless have already led to violent protests in Rio de Janeiro and in Brasilia.

When the 25 May rioters demanded the repeal of the social security and labor reform measures, led by the labor unions, and calling for Temer's ouster, stormed along the esplanade of ministries, the grand central boulevard of the capital, attacking and burning of part of the ministry of agriculture as well as invading the ministries of health, planning, culture where the demonstrators destroyed documents and computers, and the ministry of the economy, tourism, and mining and energy.

The staff had already been evacuated.

Most ominously the invocation by president Temer evoked his special "public order powers" powers. The army was deployed to protect government buildings (the powers last until the end of the month). In the Congress meanwhile a session of one of the senate committee's presided over by the new head of the PSDB, the senator from Ceará, Tasso Jereissati, who had succeed Aécio as head of the PSDB in the Senate, and is one of the possible PSDB Senators mentioned as a possible successor to Temer if he falls from power, descended into chaos, as did a session in the lower house of the congress where opposition deputies stormed the presiding officers podium, demanding the resignation of Temer ("Fora Teme").

One Brazilian has compared the investigations to a centipede with boots.

Each boot falling on an unsuspecting head.

And more boots continue to fall.

This week two former governors of Brasilia were arrested as the result of “plea bargains” by executives of Andrade Guitierrez, another major Brazilian construction company, involving vast over-payments for the construction of Brasilia’s “Mane Garrincha” football for the World Cup.

Judge Sergio Moro apparently took as his model the Italian magistrates who conducted the anti-mafia investigations during the 1990’s. It is in fact twenty-five years ago this week (May 23rd) that Giovanni Falcone was assassinated in Sicily while leading a successful anti-mafia campaign, which brought hundreds of mafia members to trail, conviction, and long jail sentences.

And the Milan district attorney in the “clean hands” (“mani pulite”) operation, which used “preventative detention” to unravel the network of corrupt bribes and kickbacks between politicians and businessmen which had for decades underwritten the whole post-war Italian political system. The political parties, which had dominated Italian politics, the Christian Democrats and the Socialists, were destroyed as a result of the magistrate’s activities.

But one of the results was the rise of the populist Silvio Berlusconi, and the power of the magistrates was increasingly perceived as being an exercise in arrogance.

The risk in Brazil is not so much the immediate political struggle over Temer’s future, serious though this certainly is, but the result will only be a temporary stopgap.

It is the prospect for the next presidential election in 2019 that is the real challenge.

The leading potential candidates are both outsiders.

Which may well be their attraction to a public tired of the chronic corruption of the present political system: Joao Doria, the newly elected mayor of Sao Paulo, and Jair Bolsonaro, a Rio de Janeiro congressman.

Joao Doria is a wealthy entrepreneur, publicist and television personality. He ran the Brazilian edition of “The Apprentice.”

But his American model is Michael Bloomberg, who he visited (with television cameras) recently in New York City.

Jair Bolsonaro is an extreme right wing nationalist and a former army major (he was a parachutist); whom many Brazilians claim is homophobic, misogynistic, and racist. He is a vocal supporter of the military regime.

When he voted for the impeachment of Dilma Rouseff he praised Brilhante Ustra, who headed the notorious DOI-CODI where Dilma was tortured.

The Portuguese in the Persian Gulf: Hormuz, Bahrain and Mosul

07/18/2019

By Kenneth Maxwell



Prologue: When visiting Bahrain recently, we visited the Portuguese fort. Naturally, when I returned to the United States, I talked with Professor Maxwell about the experience and asked if he would be willing to look back at the Portuguese initial engagement in the Gulf. And it is good thing I did, because it turns out that the Portuguese established a trading and choke point template that in many ways continues until today.

The Editor

The Portuguese initiated European seaborne contact with Asia in May 1498 when the fleet of Vasco da Gama reached Calicut on the Malabar Coast of India.

By rounding the Cape of Good Hope, the Portuguese established the passage between the Atlantic and the Indian Ocean.

Over the next three decades the Portuguese established a chain of fortified trading posts reaching from Mozambique and Malindi in Africa, to Goa in India, to Ceylon, to Malaca on the Malay peninsula, to

Macao in China at the mouth of the Pearl River, and after 1543 they established an outpost in Nagasaki in Southern Japan.

The overwhelming objective of the Portuguese was trade: Pepper, cinnamon, cloves, nutmeg.

Religion followed. They soon established a round trip route between India and Lisbon known as the “Carreira da Índia.”

The voyage lasted about six months, the fleets leaving Lisbon in March or April with an average of twelve or thirteen ships.

In 1510 Goa became the capital of the Portuguese “State of India.” (Estado da India). The Portuguese established fortresses along the Canara and Malabar coasts where they were interested in cinnamon. They participated in the spice trade (pepper, cinnamon, and cloves).

The return fleets left Cochin and Goa at the beginning of the year, with the average cargo at the beginning of the sixteenth century, of between 7,000 to 10,000 hundredweights.

Vasco da Gama, with the title of “Admiral of the Seas of Arabia, Persia and India” returned to Lisbon in 1503 from his second voyage with 13 ships and 1,200 tons (metric tons) of pepper.

In 1511 Albuquerque sent an expedition to the Moluccas (the Maluku islands in present day Indonesia) where cloves, the aromatic dried flower buds of a tree in the family of myrtaceae, *syzgium aromaticum*, were grown, a valuable and much sought after spice.

In 1513 the first Portuguese arrived in China, though it was only in 1557 that their presence in Macao was sanctioned by the Chinese. It was from Macao that regular voyages to Japan took place.

The Portuguese introduced firearms to Japan as well as medicine, astronomy, navigation and shipbuilding. Their Christian missions were also successful, making more than 100,000 converts, while running a valuable silk trade from Macau, and advising the rising power of the Tokugawa shogunate on military tactics. In the 1630s friction resulted in the great massacre of Christians in 1638, and the banning of all Portuguese from Japan in 1639.



The Portuguese Fort as seen July 2019.

During the early 16th century Portuguese superiority in ships, artillery, military techniques, and fortress construction, made it possible for a few thousand Portuguese to sustain a seaborne enterprise stretching from East Africa to Japan.

This thalassocracy was always dependent on the indifference to maritime affairs by China, and the divisions in the Asian world.¹

Portuguese control was never complete, especially on the land, where the great empires of the Ottomans in the Balkans and Anatolia, the Mamluks in Egypt and Syria, the Safavids in Iran and Iraq, and the Mughals in India, dominated.

In the Indian Ocean Muslim merchant communities were well established when the Portuguese arrived. The massive pilgrimages of Muslims to the holy cities of Mecca and Medina in the Arabian Peninsula produced a cyclical pattern of Indian ocean-going voyages of thousands of people.

The Portuguese also relied on local informants, particularly Jewish converts living in East Africa and Asia during the early years.

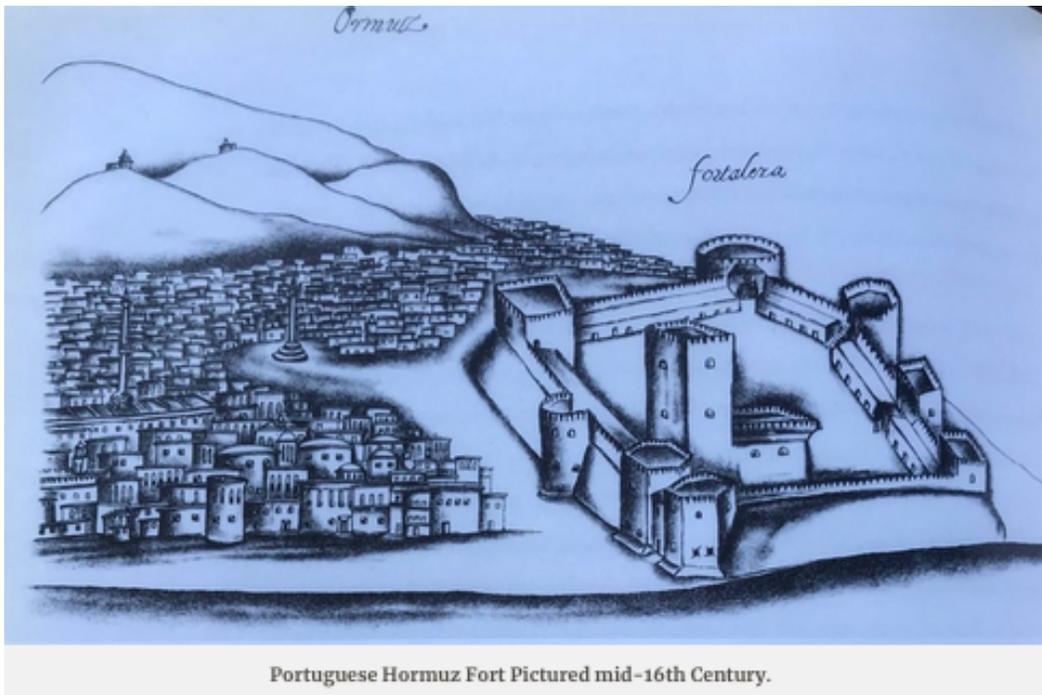
The Portuguese brought a combination of state and merchant interests together and introduced a warrior culture and a ruthless military commitment.

They did not hesitate to use force.

In addition to building fortresses the Portuguese established a system of “cartazas” which were “authorisations” essentially “safe conducts” to allies and denied to enemies, which allowed non-Portuguese ships to circulate without being attacked by the Portuguese.

Essentially the Portuguese coerced the local merchants into paying them fees while seizing the most lucrative trade routes for themselves.

While there were no European competitors this system worked.



Portuguese Hormuz Fort Pictured mid-16th Century.

The most important long term contribution of the Portuguese in Asia, however, was the identification and mapping out of the strategic choke points: The Strait of Hormuz still one of the world's most important maritime transportation routes, and the Strait of Malacca, still the main shipping route between the Indian and the Pacific Oceans.

With their more powerful ships and cannons, the Portuguese established themselves by force of their superior military technology at these key points for trade and of geo-strategic influence. Where the Portuguese had led, later on the Dutch East India Company and the English East India Company followed.

The Persian Gulf and the Red Sea were an essential part of the Portuguese scheme to control the trade of the Indian Ocean, and in particular to break the trade network created by Muslims in the Indian Ocean.

The Portuguese had attempted to establish a base in the island of Socotra, when in 1507, a Portuguese fleet commanded by Tristão da Cunha, with Afonso de Albuquerque, captured the port of Sug after a fierce battle. Tomás Fernandes started to build a fort there but lack of food and a poor harbor led the Portuguese to abandon the island four years later.

The Portuguese were unable to control access to the Red Sea.

The Mameluke sultanate of Egypt, with the support of the Venetians, prepared a huge Armada and a fierce battle took place in 1509 off the coast of Diu, where the Portuguese were victorious. Egypt was conquered by the Ottoman Turks in 1517 and they seized Basra in 1546.

Albuquerque failed to capture Aden at the entrance to the Red Sea, making it impossible for the Portuguese to control the goods passing through the straight of Bab-el-Mandeb. In 1538 the Ottomans captured Aden, which they held until the 1630s

Aden and Hormuz dominated the maritime commerce of the Middle East controlling the entrance to the Red Sea and Persian Gulf and linking the overland routes between the Middle East and the eastern Mediterranean.



In the Persian Gulf the Portuguese were more successful.

In 1514 the fleet of Pêro de Albuquerque reached the island of Bahrain, and in 1515 Afonso de Albuquerque returned to Hormuz.

The Portuguese built fortress on Hormuz, which became their main base.

Together with Muscat and Curiate in Oman and Bahrain in the Persian Gulf, Hormuz became the base from which the Portuguese attempted to control access to the trading routes over land between the Indian Ocean and Europe via Basra, Bagdad, Aleppo and Tripoli, and to the eastern Mediterranean.

Hormuz with a population of Arabs, Persians, Indians, Jews, and Christians, was where Portuguese control of the customs house (bangsar) placed the Portuguese at the crossroads of the Iranian, Arab, and Indian worlds.

The key for the Portuguese in Asia was to control the sea routes.

Dom Francisco de Almeida, the first viceroy of India between 1505 and 1509, put this paramount interest in a letter to King Manuel of Portugal. It was necessary he told the King, that “all our might be in the sea. For if we are not mighty there, everything will be against us, as long as you be mighty in the sea, India will be yours, and if you are not in the sea, little will fortresses on land serve you.”

The objective of Afonso de Albuquerque in the Persian Gulf in 1507 was to control and block the Muslim trading routes, which allowed valuable Asian goods to be taken to the eastern Mediterranean, and from Hormuz, at the entrance to the Persian Gulf, the customs house controlled by the Portuguese, oversaw a lucrative trade throughout the Gulf region.

An Omani pilot, Ahmad bin Majid, had guided Vasco da Gama on his first journey from East Africa to Calicut. Muscat on the Omani coast and Bahrain in the Gulf and their fortresses became a key part of this network. In Muscat the Portuguese established an armed presence in 1508.

Defended by a small number of Portuguese officers and locally recruited auxiliaries, Muscat became the most strongly fortified base on the Arabian Peninsula.

The Portuguese remained there until 1650 when Muscat was recaptured by the Omanis of the al-Ya’ruba dynasty.

On the island in Bahrain, where the Khalife family has ruled since 1783, the Portuguese constructed a huge stronghold with towers joined by a fortified wall.

The Bahrain Island was a key strategic point on the route between Hormuz and Basra and from which the trade along the Persian Gulf could be monitored and controlled.

The Portuguese fortress on Bahrain built on the site of an Arab fort, consists of three huge strongholds and two towers joined by a wall linking the strongholds together, and is surrounded by a trench.

The Portuguese first occupied it in 1521 and it was enlarged in 1559.

The Portuguese held Bahrain until they were expelled by Shah Abbas of the Safavid dynasty of the Persian Empire in 1602.

The key position of the Portuguese on the island of Hormuz which controlled access to one of the world’s most strategically important choke points was lost to a joint Persian and English army and flotilla in 1622 when some 2000 Portuguese inhabitants were expelled to Muscat.

The featured graphic shows a 1563 map of the Gulf and the Red Sea and showing Bahrain and Hormuz.



A Look Back at the Remarkable Life of Calouste Gulbenkian

06/02/2019

By Kenneth Maxwell

Calouste Sarkis Gulbenkian (1869-1955) was known during his lifetime as “Mr. Five Per Cent.”

This was after his personal share of Middle East oil.

He has remained a very elusive historical individual, a spider at the heart of a veritable global web, an oilman and financier, who became the world’s richest man.

Few escaped the consequences of his tentacles yet not many outside the corridors of power knew about his role.

Which is just as he wanted it.

He was the archetype of the ”citizen from nowhere.”

A naturalized British citizen (or “British Subject” which was the term used at the time), who also held three other diplomatic passports. He took the short-term perspectives and the limited financial means of

the early wildcat years of the oil industry, and by adapting a long term perspective, gave oilmen access to the capital market by building stable international collaborations.

Gulbenkian visited an oilfield himself only once in his lifetime: A four week visit to Baku on the Caspian Sea in 1888. The Swedish Nobel brothers owned a number of oil fields and were the largest producers in Baku. The Rothschilds (French branch) had interests there.

The Ottoman Armenians also participated in oil production and drilling. Gulbenkian's visit in 1888 coincided with a key turning point in the world oil industry.

The beginning of the shift from an industry dominated by Standard and American (Pennsylvanian) production to an industry dominated by a handful of international companies with production scattered across the world.

Gulbenkian was an Ottoman Armenian from a wealthy merchant family. The Gulbenkians described themselves as "oriental" which they took to mean patriarchal. In their world the father was a distant figure. His word was law. Calouste was sent with his tutor to Marseille to stay with his father's brother-in-law. He perfected his French and began to study English. In 1884 he went to study in London at King's College School, and then entered King's College's Department of Applied Sciences. Thereafter, for over 50 years, and through two World Wars, Gulbenkian was to broker top-level oil deals convincing oil barons and governments alike of his impartiality as an "honest broker."

Ironically, Gulbenkian remains virtually unknown today, unlike Rockefeller, or Getty, or Ford, or Carnegie.

Outside of Portugal that is, where he died in Lisbon in 1955, and where the Gulbenkian Foundation, which inherited his great wealth is located and bears his name.

The Gulbenkian Foundation financed and assisted Jonathan Conlin, a professor of modern British History at the University of Southampton, in the writing of this book, though he retained editorial freedom. Conlin has certainly been diligent.

This is to be expected from his previous books on the "History of the National Gallery" and "Tales of Two Cities: Paris and London and the Making of the Modern City," as well as a biography of Adam Smith.

Gulbenkian was a great collector of works of art, facilitated by his deals with the Soviet Regime between 1928 and 1930, whereby he obtained Old Masters and other art treasures from the Hermitage in Leningrad (now Saint Petersburg).

In addition to Ural gold, Siberian zinc and lead, North Persian oil and Russian oil, his haul from the Hermitage including three Rembrandts and Houdon's life-sized marble statue of Diana. It would join Houdon's Apollo which Gulbenkian also owned. Collecting art was one of Gulbenkian's few passions, other than his garden near Deauville (Les Enclos Estate), his birds, and his visits to the Lisbon Zoo (as he had previously enjoyed visiting the Zoos in London and Paris).

Gulbenkian's art collection became the object of avaricious attention by the National Gallery of London and the National Gallery of Art in Washington D.C., both of which housed Gulbenkian's art works at various stages.

In the end, the art works all ended up in Lisbon, as did the art objects from Gulbenkian's great townhouse in Paris on the Avenue d'Iena: "Built like a battleship" was how he described it to Kenneth Clark, the director of the National Gallery in London, who had been discussing an endowment which would have seen a Gulbenkian Wing constructed to house his collection where the Sainsbury Wing now stands.

There had also been plans for a Gulbenkian annex to the National Gallery of Art in Washington, but the reception of Gulbenkian's art works had been very muted and the cost of the proposed Annex was grossly inflated, even though a joint resolution of Congress protected Gulbenkian's estate from any tax claims should he die while the works of art were on loan in Washington. The plans for a Gulbenkian annex were dropped in 1952.

It is something of an accident that his works of art (Gulbenkian called them "his children" and later his "dear friends") landed up in Lisbon and that the Gulbenkian Foundation inherited Gulbenkian's wealth. Gulbenkian never spoke Portuguese.

He was in effect a tax exile in Portugal after 1942. During WW2 Portugal had remained neutral under the right-wing dictator, António de Oliveira Salazar. Lisbon became a bolthole for many wealthy Europeans, as well as an escape route for Jewish refugees escaping the Nazis. Lisbon was also a very active spy nest during WW2 for German and British intelligence operatives.

When the Germans invaded France at the beginning of WW2 the Iranian Ambassador ordered Gulbenkian to join him in Vichy. His daughter Rita, and her husband, Kevork Essayan, who was one of Gulbenkian's most trusted lieutenants, remained in Gulbenkian's Paris mansion during of the German occupation.

With Iranian diplomatic cover they were able to protect Gulbenkian's art collection from Hermann Goring's clutches.

With the fall of France Gulbenkian became a "technical enemy" of the British, and under the terms of the 1939 Trading with the Enemy Act. Gulbenkian's IPC interests were taken over the Custodian of Enemy Property.

Although Gulbenkian took his enemy status as a personal affront his representatives continued to attend IPC meetings in London.

In 1942 relations with Persia (Iran) and Vichy France broke down and Mohammad Reza Shah was established in power by the British and Soviets and the "Persian Corridor" was established, a major route by which American lend-lease aid reached the Soviet Union.

Gulbenkian tried to get visas to Switzerland and the US. But the British and the Americans were interested in his financial affairs and tax concerns. After moving to Lisbon, George Kennan, then a State Department officer in the US Lisbon embassy, was surprised to find out that Gulbenkian "is well acquainted with my investigation of him."

In the event Gulbenkian found neutral Portugal an appropriate place to shelter.

Jonathan Conlin spent 5 years on this book.

He did not know much about the oil business when he began his research. He was surprised to find that the archivists at BP, which holds the archives of the Iraq Petroleum Group of Company (IPC), Gulbenkian's vehicle (or his "house" as he called it), as well as Total and Royal Dutch-Shell, and Abu-Dhabi Petroleum, were all very accessible.

But ExxonMobil and Gulf refused even to acknowledge his registered letters of enquiry.

Gulbenkian was a much a financier as an oilman, and Conlin has also examined the records of banks in London, Paris, Frankfurt, and Istanbul (and he had research and translation help in Yerevan, Lisbon, London, Moscow, Tehran, and Boston.)

Following the trail of Gulbenkian, who was the original "globalist" (he held at various stages Ottoman and Persian/Iranian diplomatic credentials), was not an easy task.

Unraveling his machinations, intricate deals, and complex international negotiations, was evidently an exhausting and exhaustive experience.

Gulbenkian arrived back in London in 1897 and became a naturalized British citizen in 1902 after five years residency. Despite long periods living in France and Portugal he retained his British citizenship until his death in 1955. In London he began as a general merchant with an import business in Ottoman opium, rugs, cotton.

He soon moved into the financing and promotion of London based mining syndicates in South Africa, the "kaffir market" and Western Australia "the kangaroo market."

This was a marginal and highly risky business on the edges of the stock market and was frowned on by established brokers and attracted some flamboyant adventurers, fraudsters, and dubious characters.

For Gulbenkian it was great learning experience.

It was also very profitable.

He invested his handsome gains in (among other enterprises), Richard D'Oyle Carte (the promoter of Gilbert and Sullivan operettas), and Cesar Ritz (who insured that Gulbenkian and his family always received special treatment at his hotels in Paris and London.) Gulbenkian has been advised by his Ottoman Armenian physician, Dr. Kembadjian, to have sex regularly with young women as a rejuvenating tonic.

Gulbenkian had married his childhood sweetheart, Nevarte Essayan. (Gulbenkian had fallen in love when he was 20 and she was 14 and they conducted their correspondence hidden from their parents in carefully coded letters.) Gulbenkian now had son, Nubar, and daughter, Rita.

Gulbenkian was a hypochondriac for much of his life.

Always preoccupied about his health, he ate fresh fruit and raw vegetables, and he carried a sock of lotions, gargles, creams, powers, salts and pills. He consulted multiple doctors. He was to sleep in hotels for much of the rest of his life, and he died in the Hotel Aviz in Lisbon in 1955.

Yet as early as the late 1890s Gulbenkian had developed the reputation of a man who wove intricate and labyrinthine webs of investors and global speculators.

He was above all utterly discrete, and followed the mantra of “check, check, check.”

He was always secretive, reclusive, and he disliked publicity.

It was in the Caucasus in the 1890s that Gulbenkian began his engagement with big oil. Samuel Samuel was a self-made general merchant in East London who dealt in seashells.

His son was involved in international shipping. The Gulbenkian’s had been exporting kerosene from Batumi on the Black Sea at the end of the Transcaucasia railway from Baku. They were involved with Romanian oil products through their Varna branch on the other side of the Black Sea. Frederick “Shady” Lane, London based from a family of immigrants from Malta, was the partner in the London shipping agency which helped the Paris Rothschilds transport kerosene from Batumi to ports in the Far East. In 1891 Lane brought together Rothschild’s production and refining capacity with the shipping capacity of Marcus Samuel and Co. In 1890 Marcus Samuel built a fleet of bespoke oil tankers to transport oil in bulk, and in 1897 with Lane, established the Shell Transport and Trading Company.

Gulbenkian had collaborated with “Shady” Lane in floating the Russian Industrial and Mining Company.

It was another learning experience for Gulbenkian. He contributed his capital and that of his friends, improving his skills in negotiation, and (as Conlin describes it) his “nose for promising deals.” Gulbenkian owed his entrance into the oil industry to Lane.

A sales cartel for Asia was Lane’s brainchild, the Asiatic Petroleum Company, established in London in 1903, and the sales cartel for Europe was formed in Bremen in 1906.

These cartels included Royal Dutch and Shell along with the Paris Rothschilds and the Armenians. They were designed to keep the partners from undercutting each other in the markets of Northern Europe, the Mediterranean, and Asia for kerosene.

If the price wars could be stopped these cartels could potentially become powerful enough to strike sales agreements with Standard, which dominated all markets.

The Dutchman, Henri Deterding, general managing director of Royal Dutch since 1902, a company founded to exploit the oilfields in the Dutch East Indies (now Indonesia), was an emotional and mercurial personality, bent on building a firm that could rival the mighty American Standard Oil. In 1907 Royal Dutch and Shell merged on a 60/40 basis.

The tangled process of negotiating these cartels taught Gulbenkian that Deterding, not Lane, was the one to follow.

The “Mr. Five Per Cent” epithet (though it was applied to Gulbenkian much later) emerged from the deal he struck in London in March 1914. The origins occurred during the dying days of the Ottoman Empire and the revolution of 1908, which had brought the “Young Turks” to power in Istanbul.

Under the pre-revolutionary regime the chief rivals for the Mesopotamian oil concession were Deutsch Bank and D'Arcy Exploration (which became Anglo-Persian). But bribes and corruption stymied the effort, as well as the entry of the Americans.

Gulbenkian, Lane and Deterding had planned a 75-year oil and distribution monopoly with the Ottoman government. Gulbenkian's agent, his uncle Meguerdich Essayan, played both sides, Gulbenkian was furious. A lawsuit against Gulbenkian at the King's Bench in London resulted which Essayan lost. Gulbenkian thereafter always engaged the best lawyers money could buy.

This was also an important learning experience because he engaged in, or more often threatened legal actions, since he was after a deal, in numerous litigations over the course of his career.

After the revolution in Turkey, Gulbenkian proposed a new venture with Anglo Saxon (a Royal Dutch-Shell subsidiary) and Deutsche Bank, each with 25%, and with 50% held by Turkish Petroleum Company (TPC), the renamed Ottoman Petroleum Company, and which included Gulbenkian's 15% . The concession covered the whole of the Middle East, apart from the areas covered by Anglo-Persian and Kuwait. In the end Deterding agreed to hold 2.5 % of Gulbenkian's share, and Anglo-Persian did the same, making up Gulbenkian's 5%. None of the parties to this deal foresaw that this agreement was to be the foundation of TPC's and Gulbenkian post-war fortunes, or become the dominating force in the Middle East for the next 50 years.

The famous "red line" agreement of 1928 emerged from these earlier discussion.

The 1928 agreement between BP, ExxonMobil, Total, and Royal Dutch-Shell saw these companies join forces to control Middle Eastern oil. They would collaborate in a joint venture, the Turkish Petroleum Company (TPC), which was Gulbenkian's "house", established in 1914. They would cooperate not only in the oil-rich provinces of Mosul and Baghdad, but also in the entire "Ottoman Empire in Asia."

By 1928 the Ottoman Empire was no more. Genocidal violence had killed a million of Gulbenkian's fellow Armenians. A patchwork of French and British mandates and protectorates was developing new nation states as Iraq, Jordan, and Saudi Arabia. Jonathan Conlin debunks the story that Gulbenkian drew this red line.

It is a story which owes its origins to Gulbenkian's son, Nubar, and reveals more about his complex feelings for his father which mixed pride with a great deal of resentment.

It was not Gulbenkian's style to make such gestures.

He worked as a back room fixer, an intermediary between the worlds of business, diplomacy, and high finance.

He was the spider at the center of an emerging oil and banking industry and as such, according to Conlin, he "held empires and multinationals to ransom for more than 50 years".

His deals introduced American oil companies to the Middle East. He played a key role in helping Royal Dutch-Shell and Total establish themselves as oil majors. He brought Royal Dutch-Shell to America as well as Mexico, Venezuela and Russia.

By the time of his death in 1955 the world oil industry was no longer an American monopoly but an international cartel, the so-called “Seven Sisters” each producing oil from several countries, and the oil industries structure of multinational production, integration, and partnerships, remains much in the web Gulbenkian had woven.

Gulbenkian also made sure that the Mosel’s oilfields, the world’s richest, ended up on the Iraqi side of the Turkish-Iraqi border (and within a region that was in effect to be a British protectorate).

A well placed old Ottoman connection (and a timely bribe) insured that it did. As did Clemenceau’s desire to exchange access to Mosel’s oil potential for control of Rhineland coal.

Mosel’s oil fields was where Gulbenkian’s long-term vision and patience paid off, as did his financing of the construction of pipelines to connect Mosel to the Mediterranean.

In 1927 the most productive oil field in the world was discovered by TPC near Kirkuk, and in October 1934 the first crude reached Haifa along the 662-mile pipeline from Kirkuk. Gulbenkian had waited 40 years to see the benefits of his investment.

Gulbenkian’s fell out with Deterding and Royal Dutch-Shell over Venezuelan oil concessions. Venezuela by 1926 was the third largest oil producer in the world. Gulbenkian had negotiated the Venezuelan Oil Concession (VOC), which controlled just under half of the country’s output. Gulbenkian had also brought Royal Dutch-Shell another valuable concession in Venezuela: C6lon Development Company. C6lon and VOC had Venezuela’s most promising oilfields around lake Maracaibo and In Zulia state. The deal was according to Gulbenkian “a model of greed and squeeze.” VOC was overcharged for shipping and underpaid for the oil.

He was a minority shareholder in VOC. By 1928 Royal Dutch-Shell and Jersey Standard controlled 92% of Venezuelan production. Deterding was also like Gulbenkian acting on behalf of Royal Dutch-Shell and as a private investor. The “oil feud” which received much attention in the press at the time saw Gulbenkian defeated. He resigned from VOC and his once close and warm relationship with Deterding ended. As Gulbenkian observed: “Oilmen are like cats, one never knows when listening to them whether they are fighting or making love.”

The fight over the “red line” concessions remerged after the Second World War and came to a head in 1948.

Sir Cyril Radcliffe, Gulbenkian’s main legal adviser, recognized the value of litigation “as a menace.” Gulbenkian was a master of the art of last minute settlement before court proceedings began. He had been playing this poker game for forty years. He also had broader concerns. Apart from Russia, the only oil producing state to nationalize its oil industry had been Mexico in 1938.

In 1943 Venezuela had introduced a new Petroleum law with a 50% tax on petroleum profits. Gulbenkian recognized that the Iraqis were becoming better informed and had taken note of the Venezuelan action.

It was time he believed that Iraq receive a portion of the Company’s share holdings and also to be made aware of the vast sums that IPC had invested inside Iraq before a single drop of oil had been produced. But the independence of Israel and the “Red Scare” of Soviet intentions stymied his plans, which found little support from other oilmen.

The US government had also used US export permits to influence development in the Middle East. Europe was devastated and could not provide steel.

In 1945 the Americans refused IPC a permit for the steel needed for a new pipeline. Royal Dutch-Shell had entered into a long-term agreement with Gulf Oil. The US believed that the “red line” agreements were dead. In February 1943 Roosevelt had taken over the subsidies paid to Ibn Saud previously paid by the British, and recognized that Saudi Arabia was “a vital US interest”.

These subsidies were critical to Ibn Saud as the income from the pilgrims to Mecca had been lost during the war and he needed to keep the tribes of the peninsula in line.

The Americans were back in the Middle East and Harold Ickes, the head of the US Petroleum Administration, was keen to take on and supplanted the British.

Gulbenkian wrote his “memoirs” at this time (which were widely read in the State Department in Washington, the Foreign Office in London and the Quai d’Orsay in Paris, and by other influential parties, as was intended).

He outlined the three lessons he had learned.

The first was “to keep myself entirely free from ties to this or that company.”

The second was that there were no limits to “what oil groups can do though the ropes they control to influence governments.”

The third was that “oil companies expressing any desire to serve the greater good about which he said his personal opinion, as a Scotsman would say, is ‘I haw me doots about it.’”

The negotiations for a new working agreement took place under a hail of writs and counter writs. Everyone involved in IPC was now being sued by at least two of their partners.

Many of those involved in the negotiations in the 1920s were now dead, including Deterding. In the end Gulbenkian’s intransigence paid off. He received a “special allocation” in 1947. His Holding Company, Pandi, regained its 5% in IPC and all IPC’s subsidiaries, which covered most of the former “red line” area: Basra Petroleum. Mosel Petroleum. Petroleum Developments (Syria), Petroleum Developments (Lebanon), and similarly named companies in Cyprus, Palestine, Transjordan, Hadramaut (today’s Yemen and Oman), and the Trucial Coast (Abu Dhabi, Dubai, Sharjah, and other emirates. The deal was signed in London hours before court proceedings were due to begin.

Gulbenkian told his friend, the former American Ambassador in Lisbon, Herman Baruch, a former partner in the New York brokerage firm of Baruch brothers, which Gulbenkian had known since the time of the Treaty of Versailles: “My oil associates are now very happy, and I think they are all praising me. I told them that the American groups can go around in the Saudi Arabia Desert without being haunted by Gulbenkian, and that the Shell Group will be going around the Pampas of Venezuela, without the specter of your friend, checkmating them”

Gulbenkian was drawing his own line ending the interminable dispute with Royal Dutch-Shell over the Venezuelan oil concessions.

The world, however, was changing, and especially the role of the governments of the oil producing countries.

In 1951 Mohammed Mosaddegh nationalized the Anglo-Iranian facilities, which included the refinery on the Persian Gulf at Abadan. Calouste and Nubar were both stripped of their Iranian diplomatic appointments. The action of Mosaddegh had been triggered by Aramco's announcement in January 1950 that it had agreed to share profits 50-50 with the Saudi Arabian Government. Gulbenkian and his IPC partners now had to find a way to appease the Iraqis demand for their own 50:50 arrangements.

Iraq ended up with a better terms than Iran, Kuwait, and even Saudi Arabia.

Gulbenkian died at the Hotel Aviz on July 20, 1955.

The destination of his fortune and the establishment of his Foundation is a tale Conlin only partly tells here.

But it is at heart a tale of intrigue, usurpation, betrayal, family intrigues and long pent up hatreds, of British bungling, of Portuguese perspicacity, and back room deals, where one of the key players was Gulbenkian's Portuguese lawyer, José de Azeredo Perdigão, who with Salazar's assistance in effect seized control, and who became the long term president of the now clearly Portuguese Gulbenkian Foundation.

Gulbenkian had wanted his long time London lawyer, Sir Cyril Radcliffe (soon to become the 1st Viscount Radcliffe) to become the president of his Foundation. Radcliffe is best known as the Chairman of the two boundary commissions set up with the passing of the India Independence Act. He submitted his partition plans in August 1947, which split Punjab and Bengal almost in half and led to 14 million people fleeing across the new boundary.

Radcliffe sought guidance from David Rockefeller and the head of the Rockefeller Foundation, Dean Rusk.

But Perdigão thought this was a waste of time and drafted the Foundation's statutes on his own. Salazar behind the scenes was in contact with Perdigão and wanted Gulbenkian's "gift" to remain in Portugal. But it was Kevork Essayan's defection to the Portuguese side, which sealed the deal. Kevork had married Rita, Gulbenkian's daughter, and was a relative of Gulbenkian's wife, and was the father of Gulbenkian's only grandson. Nubar was infertile having had mumps as a child. Kevork had been for 35 years Gulbenkian's loyal and faceless understudy, enduring his wife's infidelities, and Nubar's bullying. He told Perdigão "you dear friend, and I, we are the only persons fully competent and fully authorized to carry out the provisions of the late Mr. S. Gulbenkian." In face of Perdigão's intransigence Radcliffe walked away in a huff.

The Portuguese had won.

Together with Gulbenkian's art collections the Gulbenkian Foundation inherited the majority of his investment portfolio and Pandi, the holding company through which Gulbenkian held his famous 5 per cent. Pandi's Iraqi based revenues increased dramatically during the 1950s. But in 1958 a military coup brought an end of the Iraqi monarchy, and in 1960 the Iraqi government invited the leaders of the other oil producing countries to a conference in Baghdad where they formed OPEC. In January 2014 the last of Gulbenkian's concessions expired in Abu Dhabi.

I should add that I have known and admired Jonathan Conlin for some time.

And that I have a personal interest in Gulbenkian's story.

In fact, I owe my lifelong interest in Portugal and in the Portuguese-speaking world to the Foundation's early financial support.

I did meet Perdigão. Once when we were discussing a potential grant he said he was "going to put on his lawyer face."

He did.

I will never forget it. Gulbenkian had evidently failed to remember his own mantra of "check, check, check."

The Portuguese should never be underestimated.

I was living in Portugal in 1964 and was surviving on the five pounds and five shillings that the "Western Morning News" paid me for articles.

One day to my surprise I received a letter at the pensão where I was staying inviting me to visit the Foundation from Dry Ayala Monteiro, the director of the Foundation's international division.

I have no idea how he had heard about me, or even what the Foundation was.

I was very impressed at the modesty of the Foundation's offices when I visited (I learnt from Conlin's book that these were only temporary facilities on the edge of the great park where the Foundation was eventually to build its rather more grandiose modernist headquarters).

But it was a very fortuitous visit. Dry Ayala Monteiro was horrified at the budget I was living on.

"Let me write your budget" he said. He did. I received a very nice check each month thereafter.

So I am very grateful to the Gulbenkian Foundation, as well as to its somewhat idiosyncratic and personal grant making style, as I was in many ways invented by it.

The Next Phase of Global Dynamics: Shaping a New Strategic Map

03/22/2017

By Robbin Laird and Kenneth Maxwell

The strategic certainties and alliances of the post-Cold War world are all now facing severe challenges. The certainties of the period of globalization are clearly contested on many fronts. The causes of this crisis are multiple.

Some see the causes as originating in the imperial overreach of the United States in the Middle East. Others blame the imperial overreach of Europe to the borders of Russia. Some blame Russia and Putin for the seizure of the Crimea. But these causes will be the subject for future historians.

What is clear now is that a new phase is beginning which requires clear-headed analysis.

The tectonic plates are shifting and the United States needs to think carefully about the prospects and consequences of these profound changes between (and within) nations, and how best to respond to this new world order (or disorder).

Many of these changes were already underway before 2017.

From the Cold War, to the Post-Cold War World to the post-9/11 World, to the post-shared sovereignty globalization world to the new phase of global development, aggregated interest clusterizations and promoting national interests.

But this is most especially the major international challenge facing the new Trump administration. But for now what is clear is that security threats have unleashed national reactions with various nations seeking to rebalance their position in the global order, and seeking to work with clusters of either like-minded states, or with states capable of providing key needs.

It is not exactly the return of nationalism, for that has not been absent in any case, but is clearly the return of security and defense concerns as a priority, and these concerns are always led by states seeking allies, partners or friends, or “the enemy of my enemy is my friend” types of partners.

And of course, key elements of global reach will remain relevant in the new situation, such as the reach of global information, cyber threats, and information war, as key interactive tools, which will be as disruptive as they are binding. And the reach of global information into sub-regional groups can well lead to new types of disintegration and integration as well.

These trends were underway before the election of Donald Trump.

But the trends are clearly affected by him and will provide a significant challenge to his Administration as it seeks to protect or advance American interests in the new global situation.

Brexit

Brexit

We can start with Brexit, which clearly has been generated by security concerns unleashed by open borders and concerns about the perceived roles of the European Court and the Commission in making rules without regard to British national interests.

The “democratic deficit” in Europe, and the often low quality of who get high-ranking jobs in the Commission have been met by the referendum vote for Britain to exit the European Union.

It is clear, however, that even when Article 50 is invoked it will be a complicated process to determine what exactly Brexit will mean.

And these negotiations will clearly be affected by the dynamic and fluid set of affairs on the Continent itself.

And with the possibility of another Scottish referendum it is not impossible to image that Scotland becomes independent and “little” England on its own seeking to sort out its post-Brexit future. The prospect for a United Ireland has also returned. The possibility of a post-Brexit “hard” border returning between the Irish republic, a EU member, and Northern Ireland, is already causing deep concern. Northern Ireland is currently without a devolved government, and a return to the bitter tribal politics of the past there should not be discounted.

The Euro, the European Union and “Multi-Speed” Europe

Clearly one of the major domestic challenges in almost all the western nations is the continuing “democratic deficit” that is the alienation of many segments of the population which have been adversely impacted by globalization and post industrialization.

The critical role of the upper mid-western states in the victory of Trump, and the rise in support for the anti-EU and anti-Muslim “National Front” of Marine Le Pen in France, and the support for Brexit in the U.K. are all part of this new wave.

But how to respond to the root causes of this alienation from mainstream politics and politicians is not at all clear.

This is clearly one of the major challenges for the future within many western democracies.

The impact of Brexit, and profound security and economic concerns among the populations of European states, are leading to significant pressures for change.

The euro-club is unlikely to expand, and open borders will end to all intents and purposes. The European market already hardly an open one, so that renegotiation with Britain will raise again fundamental questions of support for special interests such as French and German farming and many other protected sectors in the European Union.

It is quite likely that the European Union will come to resemble what President Trump called it, namely the European consortium.

But clearly key states will try to sort out ways to work more effectively together to protect perceived national interests, but this is already very different from the multi-national structures dominated by the Commission in the globalization phase.

And key states outside of the European Union, namely Russia, China and Iran, will enhance their roles in dealing with individual states to seek ways to enhance their interests globally, supported by various bilateral agreements or investments as well.

Turkey

The war of words between the Turkish leader and Europeans is simply the more obvious shift in the President of Turkey's approach to shape in effect a more Islamic state which can provide for leadership in the Middle East and work with other global powers outside of Europe to enhance his position in the region.

Turkey has already ramped up its defense industrial relations in the region and has become a source for arms in the region as well.

And will play off the United States, China and Russia to enhance Turkey's power in the region. ISIS is seen as a useful de-facto ally of Turkey in dealing with the Kurdish threat as the leaders of Turkey sees it.

Not only is Turkey not going to be a member of the European Union but its role in NATO is clearly in question as well.

Mexico

With the focus of attention in the 2016 Presidential campaign on Mexico, it is clear that the alliance between the two countries forged during the globalization phase is on the rocks. Mexican leaders are reaching out to China as well as to other Latin American leaders to provide new sources of revenue, raw materials and diplomatic support.

Mexico has often been a security threat to the United States in the 19th Century and was seen by the Nazis in World War II as a soft underbelly for the United States. And of course significant parts of the United States were once part of Mexico, something that Americans forget but the Mexicans do not.

With the NAFTA agreements Mexican elites tied their future to their North American neighbors. With the new US administration, Mexican elites are seeking to retreat from this position, and seek alternatives in a reshaped relationship with Latin America and receptiveness to new openings to China.

But with a wall, the blending of Mexicans in the United States and Mexicans living in Mexico is a significant one, which create significant domestic political problems for the Administration.

The drug cartels will find ways other than overcoming the wall to come into the United States. This will be especially true if the USCG is really reduced to the extent envisaged in the Trump Administration budget, or by using pathways through Canada into the United States, as the Trudeau government is providing visa free travel from Mexico into Canada.

Dynamics are underway which can clearly change the nature of Mexico and its relationship to the United States, which President Trump has not anticipated in his discussion of the future US-Mexican relationship.

China

The leader of China has consolidated his control over China and is certainly not going to wait while President Trump sorts out his strategy. He is already shaping a global support for multilateralism Chinese style.

He put that clearly in play at this year's Davos sessions and although one has to be a bit delusional to believe in Chinese multilateralism, what this means in reality is the Chinese offering an alternative to the Trump vision of trade and global economic relations.

It is a version of playing older style Americanism against the new style of Americanism.

The Role of the BRICS

How will the relationships among the BRIC states work out?

The notion of an alliance of major developing countries (Brazil, Russia, India, China and South Africa) was originally an economically motivated construct from Goldman Sachs British born chief economist. It has long since been superseded. Major rivalries between the BRICS remain, especially between India and China.

But the concept was given form in a series of summits between the leaders of the countries involved, and they have also established a BRICS development bank to provide a rival (or at least an alternative) to the US and Western European led IMF and World Bank.

Russia is already a major supplier of arms to India. Brazil has signed a deal to provide a new generation of fighter jets with Sweden in preference to the US. Russia is also a major supplier of arms to Venezuela,

For China this is an important extra mechanism for its engagement especially in Brazil where China is already Brazil's largest trading partner. And is becoming a major investor.

Political Corruption, Drug trafficking, and International Criminal Networks

Even if explicit national recognition of globalization as a positive focus of inter-state agreements goes down, globalization will certainly continue at the sub-national level, notably with regard to cyber threats, drug trafficking, and movement of migrants.

For example, the international drug trade is not confined to "bad hombres" from Mexico. Nor is the US the only market for illegal drugs.

With the putative peace Agreement in Colombia many of the drug traders in cocaine have continued with their links to international cartels, not only via the Caribbean and Mexico and Venezuela, but also via the Brazil, the small west African nation of former Portuguese Guinea, and on into southern Europe, and into then into the UK and North Western Europe.

The corruption endemic in all the countries on these route from South America, as well as the control by competing drug gangs in the South American favelas and on the street, and into the political, law enforcement, and judicial systems of all these countries, is a continuing, and largely hidden problem, which is presenting major border control problems for the Brazilian military for example on the far flung, riverine, jungle, and only partially controlled Amazonian frontiers of Brazil.

The Redrawing of Boundaries and Negative Globalization: The Case of the Middle East

The state boundaries established in the 1920s in the Middle East were also stakes in the sand. With the evolution of the new phase of the global order, these lines are very likely to be redrawn.

The fissures in the Middle East are creating new fault lines as well with the role of outside players being significant in playing upon those fault lines with new working relationships among powers in the region, state and non-state with external power actors, namely European states, the United States, China, and Russia.

Key players in the region are already redrawing on the ground the nature of power. The dissolution of Iraq and Syria is well underway. ISIS and the significant migratory pressures in the region represent what might be called negative globalization, namely the movement of threats and forces, which have eroded the reality of state sovereignty in the region.

And the reach of Iran and Turkey from the two sides of the region is designed to augment their national influence and augments the dynamics of change in the effective meaning of sovereignty in the region. The GCC states facing Iran, Turkey and ISIS and having several powers proactively acting in the region from the outside face internal and external pressures, which can easily lead to explosive pressures on these states.

In many ways, the new Middle East, which will emerge in the next few years, may be the clearest statement about what the new phase in global politics actually will look like.

Israel as the only democracy in the region faces significant pressures to defend its interests and will certainly rely heavily on the United States to provide for maneuver room while Israel finds its place in the evolving Middle East situation of maneuvering sovereignty and explosive negative globalization.

The Trump Administration and Its Way Ahead

There are many other fissures emerging in a dynamic process of disintegration of the old and forging of the new, notably in terms of old nemeses of the United States, such as Cuba, Venezuela and Iran. But we can simply stop here for the moment and reflect upon the trends we have introduced in the paper and address the challenge for the way ahead for the Trump Administration.

What are the consequences for trade and the opportunities for China as a consequence of Trump's withdrawal from the Trans-Pacific trade deal negotiations? One aspect will be the question of how Australia and the east coast Latin American countries might seek new forms of engagement with each other.

The evolving strategic map raises a number of key questions.

What will new world "order" look like? What are the principal emerging clusters of power — political, economic, and military?

How serious is the domestic political crisis of western democracy? Is the West up to confronting these shifting military, strategic and economic challenges of a new global order and strategic map?

How dangerous is the threat of war? How dangerous is the threat from nuclear proliferation? If the threat of war is a real treat where will the spark most likely come from? Estonia? Korea? Ukraine? Will it be conventional? How quickly might a war become nuclear?

How will the Russians play on the fissures in Europe and tensions between key European nations and the United States? What opportunities will emerge for the Russians? What threats can be generated by significant Russian miscalculation of varied Western responses to their actions? If there is less Western cohesion, they may well be very different responses to which the Russians might clearly miscalculate.

The world, which President Trump is facing, is a very fluid, one and one which is changing right before his eyes. History will not stop while he sorts out his NAFTA negotiating strategy or figures out what to do with China.

His rhetoric and language has highlighted trends already underway but what is not clear is what will be his realistic policy responses?

Will there be a reworking of the US-Mexican relationship, which can involve security and trade but is viewed by Mexico as equitable and fair?

What will be his real policy towards Europe in terms of trade and defense and will there be a realistic understanding of how negative some of the far right players in Europe clearly are for American interests?

Any notion that Marie Le Pen is somehow Trump like needs to be clearly dealt with.

Brexit will be a difficult path to thread through a fluid and dynamically changing Europe, a Europe, which remains central for the security, defense and prosperity for Britain. What will be the Trump Administration policy towards Britain in a European context?

And China clearly needs to be dealt with. It is a threat to US interests on many levels and the President clearly raised the level of interest in terms of dealing with these threats. But there needs to be a global policy which deals with China in a broader context; it is not just about a trade negotiation. There are many other issues and players to discuss, but what we have done here is simply to sketch how dramatic the changes underway are already.

And those changes will define the environment to which the Administration will need to shape and respond, not simply re-assert aspirations articulated during the campaign.

Biography: Dr. Kenneth Maxwell

Dr. Kenneth Maxwell was the founding Director of the Brazil Studies Program at Harvard University's David Rockefeller Center for Latin American Studies (DRCLAS) (2006-2008) and a Visiting Professor in Harvard's Department of History (2004-2008).

From 1989 to 2004 he was Director of the Latin America Program at the Council on Foreign Relations, and in 1995 became the first holder of the Nelson and David Rockefeller Chair in Inter-American Studies.

He served as Vice President and Director of Studies of the Council in 1996.

Maxwell previously taught at Yale, Princeton, Columbia, and the University of Kansas.

He founded and was Director of the Camões Center for the Portuguese-speaking World at Columbia and was the Program Director of the Tinker Foundation, Inc.

From 1993 to 2004, he was the Western Hemisphere book reviewer for Foreign Affairs. He has been a regular contributor to the New York Review of Books and is a weekly columnist since 2007 for Folha de São Paulo.

Maxwell was the Herodotus Fellow at the Institute for Advanced Study, Princeton, and a Guggenheim Fellow.

He served on the Board of Directors of The Tinker Foundation, Inc., and the Consultative Council of the Luso-American Foundation.

He is also a member of the Advisory Boards of the Brazil Foundation and Human Rights Watch/Americas.

Maxwell received his B.A. and M.A. from St. John's College, Cambridge University, and his M.A. and Ph.D. from Princeton University.

The featured cartoon on the cover pages is from Is this BRAZIL by Political Cartoonist Patrick Chappatte