

# The geopolitics of the Brazilian coup d'état and its consequences<sup>1</sup>

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**Abstract:** Besides the judicial achievements going after the corrupt schemes which were bleeding the balance sheet of Brazilian state-owned companies, scholarly literature has still not been able to assess the multiple allegedly unintentional implications correlated to the political association between judicial ranks and corporate media outlets behind the witch-hunt against corruption in Brazil. In order to understand the 2016 coup d'état in Brazil, two distinct approaches are necessary. On the one hand, the coup is fundamentally connected with a long-term process of epistemological and normative public battles among professional networks who are in charge of the political legitimization of judicial and macroeconomic field of state power. I am going to call these struggles palace wars. On the other hand, it's related to a specific role played by United States' geopolitics. By employing a Clausewitzian concept of center of gravity and its deployment in a new pattern of non-conventional warfare, including a cyber-war, it will be sustained that "Bridge to the Future" is one of the main mechanisms pushed by the hybrid warfare under which Brazilian democracy has been subjected to in recent years.

## Introduction

Since former President Dilma Rousseff was re-elected in 2014, the Brazilian political system has been engulfed in an endless succession of corruption scandals. All of this has resulted in a serious crisis of confidence in electoral democracy, which reflects the lack of trust of the public in the party-political system. Besides certain judicial achievements in going after the corrupt schemes that were bleeding the balance sheet of state-oil company, scholarly literature has still not been able to assess the multiple, allegedly unintentional implications correlated with the political association between judicial ranks and corporate media outlets behind the witch-hunt against corruption in Brazil.

The lynch-mob atmosphere fueled by 24-hour news coverage, mostly on unsubstantiated suspicions of corruption, has laid the ground for public opinion approval of judicial arbitrariness, which has undermined the rule of law in Brazil. The main institutional consequence of this was, of course, the Rousseff ousted from office in 2016. But this new pattern of judicial arbitrariness brought to life by public opinion in support of this notion has also spread throughout the political system and social life, introducing erratic and unpredictable decisions, dangerously unbound from the law itself. That's why the coup d'état was not a singular event limited to illegally oust a President from office, it also has long-term goals, which importantly includes preventing the expression of the democratic will in the elections.

It's no surprise, therefore, that the Brazilian political system faces one of the most frightening scenarios in its history to date: recent polls suggest that just 6 percent of Brazilian voters feel represented by the politicians they have voted for; former President Lula da Silva was imprisoned

and legally prevented to run for elections, based on a highly questionable judicial conviction; and a former military officer and fascist won the Presidential election in 2018.

How the Brazilian political system got to this cliff edge, has been an analytic issue of some controversy for scholars and pundits. There is no simple answer, nor a single cause behind the institutional deterioration witnessed. However, any effort to grasp the main causes behind such complex institutional events demands addressing two central aspects: the balkanization of Brazilian State sovereignty by professional corporations, and their connections with transnational communities, through which U.S. foreign policy has played a central role.

In order to understand the 2016 coup d'état in Brazil, two distinct approaches are necessary. On the one hand, the coup is fundamentally connected with a long-term process of epistemological and normative public battles among professional networks who are in charge of the political legitimation of judicial and macroeconomic field of state power. I am going to call these struggles palace wars. On the other hand, it's related to a specific role played by United States' geopolitics. The corruption that has reached the Brazilian political system by means of bribes originated from contracts between civil construction contractors and the Brazilian State oil company, Petrobras, has a geopolitical contour in which the agreement concerning judicial cooperation between Brazil and the United States of America (U.S.) has fulfilled a fundamental role. This new game, however, has to be understood not as a strategical conspiracy, as if it was designed from abroad and naïvely embraced by domestic puppets. The agenda of the coup d'état is an interchangeable mechanism where the domestic counterparts, played by specific ranks of professional networks, employ foreign allies (or at least their legitimated concepts and theories) for their own benefit in order to gain leverage over domestic contenders. In other words, this interchangeable mechanism has worked as a *translation operation* (Latour 1988).

Nevertheless, considering the crisis of legitimacy that the Brazilian political system has been facing, the leverage from foreign allies over inside battles has skyrocketed in a way never seen before. The extremely low levels of popularity measured by the polls, and the desperate need for political support, have forced the coup coalition that took office in 2016 to accelerate a broad market-oriented reform agenda which has seriously jeopardized the country's strategic interests.

In addition, there are sets of domestic political factors that have made this institutional room for maneuver possible for the Federal Public Prosecutor's Office (Ministério Público Federal - from now on FPPO) and its counterparts from Federal Police and judiciary ranks in charge of the Car Wash Task Force (*Força Tarefa Lava Jato* - from now on CWTF) to establish an institutional alliance with the United States Department of Justice, even though it goes against Brazil's strategic interests. These are domestic alliances between businesses associations, bureaucratic corporations, conservative social movements and political parties, carried out under the ideological leadership of mainstream media outlets which made the coup possible in 2016.

Beyond raising some hypotheses on the coalition behind the coup d'état, this article will analyze the agenda implemented by it, also called *Ponte para o Futuro* ("Bridge to the Future"). By employing a Clausewitzian concept of center of gravity and its deployment in a new pattern of non-conventional warfare, including a cyberwar, it will be sustained that "Bridge to the Future" is one of the main mechanisms pushed by the hybrid warfare under which Brazilian democracy has been subjected to in recent years.

Following this approach, I would also like to show that the coup was not only a political operation to oust former President Rousseff, but moreover a long-term effort to undermine the 1988 Brazilian Constitution. This began prior to the Rousseff affair, and continued throughout the CWTF operations, serving as both ideological and institutional mainstays to disassemble the citi-

zanship rights settled in 1988. In order to do this, I will survey the main political, macroeconomic and institutional consequences that have resulted from this insidious operation.

This article will explore three fundamental dimensions of the coup d'état: (1) the strengthening of conservative movements and rent-seeking groups within the scope of professional networks battles and those boosted by them; (2) the alliance between the oligopolistic mainstream media outlets, judiciary ranks and social movements inspired by the conservative agenda of right-wing libertarianism; (3) the economic crisis produced by deeply regressive measures adopted by the coup's coalition expressed in the "Bridge to the Future" political program.

## Undermining state sovereignty and strengthening epistemic networks

The concept of *palace wars* comes from a Bourdieusian approach that has tried to frame the globalization process through the links among elites engaged in their domestic competition to establish the symbolic power of its own professional field and become themselves gatekeepers of public policies (Dezalay and Garth 2002). These professional elites have been extensively researched by a large number of empirical works, and have been conceptualized as actor-networks, epistemic and transnational communities, embedded knowledge networks, transnational advocacy networks, globalizers and so forth (Woods 2007; Slaughter 2005; Fourcade 2006; Bockman and Eyal 2002; Keck and Sikkink 1998).

The neoliberal counter revolution that took stage globally from the mid-1970s onwards was one of the greatest political experiments of all time, and these transnational communities have played a significant role in its development. Neoliberalism and its epistemological brokers have worked as a package of ideas with powerful *performative* consequences, meaning they have been able to produce new realities and build new kinds of institutions, organizations and behaviors (Krugman 1994). As ideas do not float on air, they need to be carried, appropriated and institutionalized in order to deploy their influence and *performative power* (Austin 1962; Callon 2008).

Transnational communities are social groups that emerge from mutual interactions through national boundaries, oriented towards a joint project or imagined identity. As they mature, transnational communities come to develop organizational solutions that allow them to mobilize resources, and to spur individual and collective action. They are often boundary actors, generally able to connect arenas of transnational regulatory activism with local contexts where different regulatory projects are expected to take root. Finally, transnational communities deploy potentially powerful socializing mechanisms that may, over time, significantly contribute to the progressive alignment of preferences, practices, episteme, values and convictions of their members (Djelic and Quack 2012b). In this sense, transnational communities can work as a network power of neoliberalism through the *juridification* of its policies (Grewal 2008).

In spite of scholarly recognition of geopolitical leverage reached by middle income countries coalitions over trade negotiations (Hopewell 2015), formal institutions of global governance, primarily associated with the Bretton Woods agreements, have been broadly undermined by new semi-official global institutions such as International Organization of Securities Commissions (IOSCO), World Federation of Exchanges (WFE), the International Swaps and Derivatives Associations (ISDA) and, the most outstanding of all of these, Sovereign Rating Agencies. These new globalizers have been accused of subtracting the state's authority on the enforcement of official decision making by using their private epistemic authority to counterbalance sovereign governments, delegitimizing them as an exogenous and spurious forces in the capital markets (Sinclair 2000). This has resulted in a more general shift from 'government' to 'governance,' involving the

delegation or transference of public functions to particularized bodies, operating on the basis of professional or scientific techniques (Picciotto 1997). It is relevant to emphasize, however, that the strong engagement of private actors doesn't necessarily imply a retraction of the state. In fact, what the specialized literature has observed is that "state and government representatives are directly or indirectly involved in international standard setting, not necessarily as drivers, but as actors among others in a process where consultation, deliberation, confrontation, and negotiation all play an important role" (Djelic and Quack 2012a).

## The Internationalization of Palace Wars in Brazil

In Brazil, it is already quite well acknowledged that there is an acrimonious competitive battle between theoretical strands inside the Brazilian judicial and economic field of state power (Faria 2018; Consultor Jurídico 2016). This battle has been played out by professional elites who struggle among themselves, employing their connections with transnational communities, imported ideas and adapted epistemological approaches according to their own positions in the field of state power. One of the major cleavages in this dispute has been established between those committed to the legal principle that aims to safeguard a person's civil rights and liberties, also referred to as *garantismo* (Ferrajoli 2009), and those who don't see any problem in bypassing such principles. The former group has progressively lost ground within the Brazilian judicial system to another group of legal practitioners, mostly originating from federal civil service careers, who intend to reform Brazilian law procedures in light of certain international practices advocated by a global network of anti-corruption institutions that discuss their strategies and pass them on to government officials around the globe (Shaffer 2012). Such international practices point to a more pragmatic version of criminal law with less guarantees, more results oriented than respectful of rites and formalities, and endowed with a less restrictive view of what respect for fundamental rights and interpretation of laws should mean (Rodriguez 2018).

Long before the current political preeminence of Brazilian judiciary ranks, epistemic communities from economic professional networks already established themselves as the main gatekeepers of macroeconomic field of state power: particularly those networks in charge of confidence building of financial markets on monetary and fiscal policies implemented by the Finance Ministry and the Central Bank (Santana 2012; Olivieri 2007). As will be outlined later, there is a macroeconomic policy whose epistemic convention is carried, appropriated and institutionalized by networks of professional economists, which work as brokers to performative power. These orthodox networks have taken the opportunity from the political crisis resulting in the coup d'état to organize a regressive macroeconomic agenda of reforms which meet its own interests.

At the level of the Judiciary system, it is important to remember that the Brazilian constitutional framework was originally settled on Romano-Germanic law or Continental law. Despite this, since Brazil has decided to be affiliated to the Financial Action Task Force (FATF) – an OECD intergovernmental body in charge of setting standards and promoting the implementation of legal, regulatory and operational measures for combating money laundering and terrorist financing – it began to change its legal procedures regarding criminal economic law, inspired by common law (Machado 2012). However, these changes to legal procedures have not been established by Congress, where they should have been according to the Constitution, but through arbitrary *decisionism* adopted by the ranks of the Judiciary system itself.

This process didn't take place by fiat, of course. The ground zero event was the procedural arbitrariness originating from the Supreme Court ruling over Penal Action 470 in 2012. This lawsuit reversed the burden of proof against defendants, allowing the court to convict without

direct proof of authorship, but rather on circumstantial evidence bases (Santos 2017). In order to justify the conviction, the rapporteur of Penal Action 470, former Supreme Court Judge, Joaquim Barbosa, deployed a German doctrine called *domain of fact*, despite the fact its author has rejected such eccentric application of his theory (Scocuglia 2014). This ruling was the turning point for the rule of law in Brazil. It was not only settled by exceptional legal procedures to find the conviction but also circumscribed its application on specific political actors, settling patterns for *enemy criminal law* (Jakobs 2014).

More recently, the Supreme Court Judge, Luis Roberto Barroso, laid the grounds for a new interpretation of the role of the Court over the Brazilian political system. In a very controversial article (originally published in 2015), Barroso claims that the Brazilian Supreme Court should conduct itself like an “enlightened” despot, breaking constitutional boundaries among the branches of government by playing not only a traditional counter-majoritarian role, but also a representational function (Vieira and Glezer 2018). For this, Barroso tried to deploy a German legal scholar, Robert Alexy, to support the Supreme Court as an “argumentative representative of society”. In Barroso’s view, the operational mechanisms of electoral representation would have become incontrovertibly biased by special interests, leaving the Supreme Court a greater capacity to represent society by *an open public debate, to which the reasons for the choices made are given* - despite the fact none of Supreme Court members were democratically elected, and the arbitrariness and opacity of their decisions are quite well known. Beyond the scholarly debate, Judge Barroso has also become a public spokesperson of the “fight against corruption”, conferring ideological legitimacy to the agenda of procedural arbitrariness (Barroso 2015 and 2017; Mota 2017).

Alongside these events, a new generation of well-trained Brazilian legal practitioners, specialized in criminal economic law started to come out from U.S. Law Schools and took control of highly competitive judiciary positions as judges and prosecutors. Strongly attracted by the highest wages on the federal civil service career and powerful decision-making prerogatives, these new legal practitioners are heavily influenced by the common-law approach. The most visible profiles behind this new generation are the former Federal Judge and current Minister of Justice, Sergio Moro, and the federal prosecutor Deltan Dallagnol, both CWTF leaders with academic backgrounds in the U.S. They have also deployed foreign concepts inspired by U.S. legal scholar Scott Brewer to legitimize *abductive reasoning* – which has been also used to provide theoretical grounds to validate criminal conviction: again, based on circumstantial evidences (Streck 2017).

It is necessary to highlight that these events were not only (or mostly) a scholarly debate confined to specialized networks, as non-Brazilian readers might suppose. The judiciary characters named above have received huge amount of media coverage in their respective lawsuit cases, similar to a well-known scandal in Italy called *Mani Pulite*, which allowed judges a demiurgic capacity to bypass legal procedures, and even take decisions against basic civil rights such as the presumption of innocence.

This new generation also had to establish their own political space inside the Brazilian judiciary system, where economic and political interests have a huge influence over decision-making processes. In order to face this challenge a new judiciary generation has established political alliances inside and outside of country, deploying a double- game strategy that allows them to take advantage of the legitimacy of imported expertise, while using it instrumentally in their local struggles for power and influence (Dezalay and Garth 2012). In other words, in order to be useful international theoretical approaches need to meet instrumentally the justification mechanisms of political battles which take place inside the field of state power.

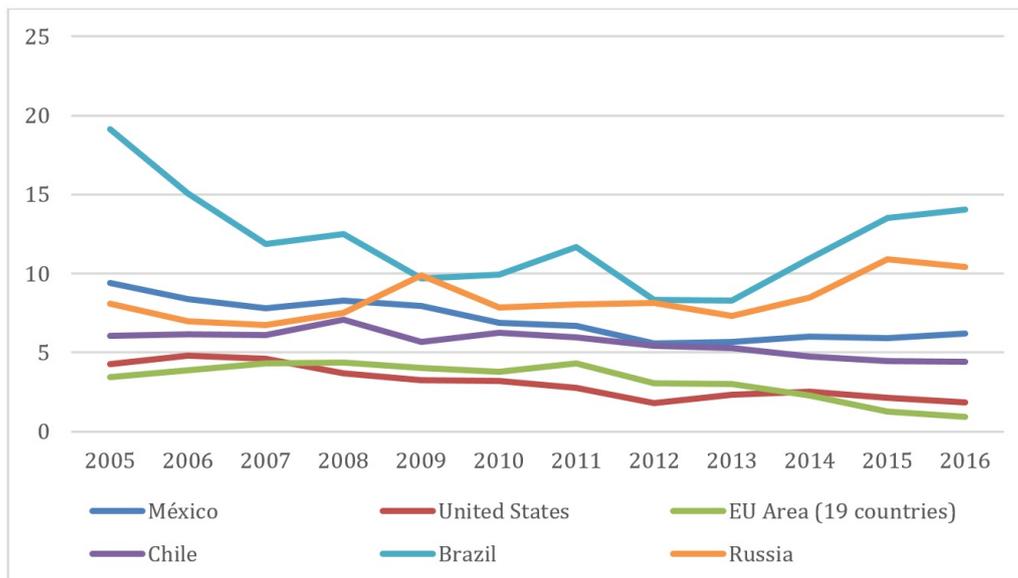
When such a precondition has not been met, updated theories could be flatly ignored. The most recent evidence of that could be observed around the noise from the public controversy occurring when an article wrote by André Lara Resende dared to question the theoretical cor-

nerstone of the orthodox monetary policy in Brazil (Resende 2017). Despite the author's most impeccable orthodox credentials as a banker and well-known scholar, responsible for establishing groundbreaking theory on inertial inflation and one of the main policy-makers in charge of the stabilization plan in 1994, his theoretical revisionism was seen as an idiosyncrasy and was fully rejected by economists from his own epistemological field (Gaspari 2017).

This episode is quite interesting because Resende claimed that the current theoretical approach upon which Brazilian monetary policy is based has collapsed and needs to be updated in order to reach the most advanced frontier of theoretical innovation. This frontier, according to Resende, should be settled by the U.S. scholarly debate which has found that high interest-rate levels in the long term, governed by central banks, have become innocuous to fight chronic inflation and, what is even more heretical from an orthodox point of view, have been themselves the major cause of inflationary resilience. The networks of orthodox professional economists who have ruled the Brazilian Central Bank since the middle of 1990s were able to keep their positions as decision makers in the Central Bank, even throughout a period of center left coalition [2003-2016], and didn't allow the opening of the *black box* of the justification process, upon which the monetary policy has been based for more than 20 years.

Considering the inter-generational administration of high interest rates by the Central Bank it is understandable why economically entrenched interests have "cleverly" rejected flashing macroeconomic scholarly theories from the U.S. proposed by Resende. The major example of this is the updated data on the increased share of financial savings which has been drained to long term public bonds, yielded by the Central Bank's interest rates. According to the Center for Capital Markets of Institute of Economic Research Foundation (Cemec-Fipe) 72.2 percent of financial resources raised by the Brazilian banking system has been invested into public sector bonds, repo operations and lent to the Central Government (Lamucci 2018).

*Long-Term Interest Rates (Source: OCDE)*



## United States geopolitics: laying grounds for extraterritorial judicial prerogatives, web crafting and cyberwar

The second approach to analyze the coup d'état in Brazil is directly connected with new trends in U.S. foreign policy. Throughout the 1990s, and later as a consequence of the September 11 attack and the sub-prime mortgage crisis of the 2000s, the U.S. federal government has deepened the OCDE Financial Action Task Force agenda on its own terms. In 1998, the Foreign Corrupt Practices Act (FCPA) was extended to foreign companies. With the passing of the Patriot Act (2001), the prerogatives of U.S. agencies were expanded, guaranteeing access to data from spy and security agencies such as the National Security Agency (NSA). In 2010, the Dodd-Frank Act guaranteed the Securities and Exchange Commission (SEC) power to repress all conduct considered offensive by the U.S. legislation, even if the financial transaction had occurred outside of the U.S. and only involved foreign actors. In addition, the Foreign Account Tax Compliance Act (Facta), passed in 2010, gave U.S. tax authorities extraterritorial powers.

As a consequence of the growing development of U.S. legislation, several analyses have been published concerning the extraterritorial expansion of the U.S.'s judicial prerogatives as a means of exercising its commercial and hegemonic interests (Quatrepoint 2017). In Europe, the debate has gained traction after the Berger-Lellouche report was published in France, calling attention to how U.S.-specific legislation has been used as an economic and political weapon against its commercial competitors (Lellouche and Berger 2016). Such reports have called attention to the fact that European companies have already lost between €40 billion to €50 billion in recent years by disrespecting Washington's sanctions against certain nations. It is not only the deployment of law as a mean of *soft power* but the use of legal mechanisms as a significant source of profit extraction, and an arena for the competitors' destruction. What makes all lawsuits from the U.S. Department of Justice against French companies similar is the fact that those enterprises have refused to comply with the unilateral embargos from U.S. Government and tried to seek commercial relationships with hostile nations to the U.S. hegemonic interests (Juvin 2017).

At the same time, other political events and technological disruptions have established new grounds for U.S. geopolitics. The Arab Spring movements among middle-east countries have served as a new laboratory for U.S. foreign policy. What has been called *Leading from Behind*, began from internal controversy among Obama's major advisers concerning the best approach to the collapse of long-established regimes in the middle-east (Lizza 2011). This concept has been forged based on a general perception of the U.S.'s relative power declining, while its main competitors took center stage. In order to face this new challenge, according to Obama's advisers, it would be necessary to re-balance the U.S. foreign policy approach, focusing both on relations with states and civil society. This means a policy-oriented strategy which articulates realist and constructivist approaches on international relations and brings back the role of civil society organizations in regime change procedures.

The major idea behind that proposal is to push forward a *webcraft* in opposition to the *statecraft*, based on a "sprawling complex of networks, coalitions, partnerships and initiatives undertaken by business, NGOs, churches, universities, foundations, cities, provinces and very determined individuals, all working with, alongside or sometimes against, their national governments" (Slaughter 2018). One of the major intellectuals and policymakers supporting this approach is Anne-Marie Slaughter, who served as director of Policy Planning for the U.S. State Department during the Obama years. Besides setting a groundbreaking scholarly analysis on global governance she also became a vocal advocate of the Responsibility to Protect (R2P) doctrine – which questions the sovereignty of States, conditioning its inviolability by other nations to a full respect for human rights (Slaughter 2012a and 2012b). However, considering the most recent initiatives

by the U.S. Government towards multilateral agreements such as their withdrawal from the Paris Climate Agreement, the Iran nuclear deal, and the UN Human Rights Council, there are justified concerns about a wide range of opportunistic interventions which the R2P doctrine could legitimize to cover-up hegemonic geopolitical interests.

Simultaneously, we have learned about the outstanding upgrade on intrusiveness capacity of U.S. security and spy agencies, according to the National Security Agency (NSA) secrets files leaked by its former employee, Edward Snowden. These files have revealed that the U.S. Government has engaged in deep violations over civil rights liberties inside and outside of United States, and gained ground to inaugurate a new pattern of warfare, already defined as a *cyberwar* (Greathouse 2014). The technological breakthroughs behind the cyberwar were also boosted by a dramatic change in the legislation established by the Patriot Act of 2001. This explosive association has laid ground for a new pattern of Schmittian “state of exception” (Schmitt 2006), legitimated by an overwhelming campaign of public opinion where the normal rules of international society were necessarily suspended in order to justify “international security”. According to specialists, the Patriot Act included measures to expand both domestic and foreign intelligence gathering, primarily by the NSA, and involved non-state actors to a much wider degree than had been the case previously. In addition, there is already a solid consensus that “despite the emphasis on counterterrorism, much of the focus of NSA cyber operations was probably rather more counter-state, given the overall low-tech nature of their adversary” (Klimburg 2017).

Among the main tools employed in this new kind of warfare traditionally are intercept programs, which take advantage of the fact that the majority of the world’s internet traffic passes through U.S. territory (80 percent). The Prism program was one of the best well known cases of abuse in this respect, compelling virtually all of the major U.S. information technology and content companies, including Yahoo, Facebook, Apple and Google to agree to an automated access of some of their data by the NSA. The main achievement in these programs is the ability to crunch huge amounts of thinly-related data – ranging from IP numbers, to credit card transactions, to fluctuations in the power grid – to draw conclusions about an actor’s attributes, activities, or identity.

Besides the improvement in intelligence gathering, there are also concerns about how social networks, such as Facebook, Twitter and WhatsApp, could influence political behavior, circumventing and cheating the standard mechanisms which provide political legitimacy before public opinion. In this field, it is necessary to be aware of new actors and concepts which play a central role in this game. Intervening instruments like *trolls*, *zombies* and *botnets* could stimulate artificial tendencies in public opinion, or overburden and collapse the targeted service system, an action otherwise known as Distributed Denial of Service (DDoS). The preliminary research on this subject is still not entirely consolidated, but it is possible to point out some of the current trends. Controversy regarding the role of spurious variables over U.S. swing voters by means of social-networks has put the issue in the spotlight. Vulnerabilities can also be identified in the results of the Pew survey released in May 2016, where 44 percent of the U.S. general population admitted they got their news from Facebook (Garrett 2016).

The consciousness of these new vulnerabilities has produced a hysterical reaction from the political mainstream. Since Trump took office U.S. public opinion has been engulfed by a new edition of the cold war, nurtured by suspicion that the electoral process was rigged by the Russian government (Howard et al. 2018). Based on a report produced by an anonymous group of “independent researchers” called PropOrNot, The Washington Post started a long-term campaign by U.S. media outlets to fabricate an external enemy and justify a new wave of surveillance and censorship against independent journalists on the internet (Timberg 2016). A prompt reaction by independent publications (such as the New Yorker, Rolling Stones and The Intercept) against such

malicious moves has forced the Post to retreat. Later on, the main author behind the PropOrNot report was revealed as being a consultant attached to a think tank called Atlantic Council. Despite a calculated retreat, the “fake news” spread by the Post had already rooted and went viral, contributing to a big push in public opinion.

The major consequence that followed such imbroglio, promises to be even worse for civil liberties worldwide, but quite welcome for webcraft’s foreign policy proposed by U.S. policy-makers. In the midst of a data security scandal, Facebook has agreed to hire the Atlantic Council’s Digital Forensic Research Lab (DFRL) to liaise closely with Facebook’s “security, policy and product teams” to offer “real-time insights and updates on emerging threats and disinformation campaigns from around the world.” As the U.S.-led alliance’s chief advocacy group, Atlantic Council provides stipends and an academic facade to activists engaged in support for mainstream U.S. foreign policy. Among its main donors include military contractors such as Lockheed Martin, Boeing and Raytheon, alongside NATO and the U.S. State Department. When outsourcing its security guidelines against “disinformation campaigns” to a think tank whose political agenda is deeply associated to U.S. geopolitical interests, a virtually monopolistic market share position held by Facebook becomes a powerful cyber weapon whereby surveillance and censorship may be employed against political dissidents worldwide.

Cyberwar is not, of course, something exclusively adopted by the U.S. Government, nor only by states. Private conglomerates and political parties have also become typical clients of data mining companies to plot consumer behavior scenarios and boost viral tendencies in social networks (Woolley and Howard 2018). China and Russia alike have also engaged in cyberwar by means of defensive and offensive operations. What makes the U.S. cyberwar capacity overwhelming when compared to other private and state actors is its incomparable budgetary capacity associated with financial and military seigniorage. According to specialized sources the U.S. Government spends more funds on cybersecurity-related tasks, including espionage and offensive and defensive capabilities, than the rest of the world put together: between USD 26-30 billion per year (Klimburg 2017, p. 136).

## Understanding the mechanics of the coup

The starting point for understanding the U.S.’s extraterritorial judicial conduct in domestic Brazilian matters lies in the Brazil-U.S. Judicial Cooperation Agreement, 2001.<sup>3</sup> The U.S. Government has extended its own jurisdiction and enforcement mechanisms concerning a series of wrongdoings committed by Brazilian corporations both within and outside Brazil. However, whereas an illegal act is subordinated to a positive legal definition, this only exists as a legal fact within constitutional and territorial boundaries. Targeting wrongdoings committed beyond its own territory by overlapping a national legal norm over others is a trespassing of sovereignty. Besides, what was originally conceived of as an instrument that would only be deployed in specific cases, such as fighting drug trafficking, began to be used to subtract heavy corporate fines for wrongful behaviors committed outside of the U.S.’s territorial jurisdiction.

The agreement signed between Brazil’s largest engineering company, Odebrecht, and the U.S. Department of Justice will result in the payment of USD 2.6 billion to the United States. Embraer has already paid out a sum of USD 206 million for actions of corruption committed outside U.S. borders. Brazil’s state-controlled oil company Petrobras also agreed to pay USD 2.95 billion to settle a U.S. class action corruption lawsuit, considered the biggest payout of its kind made in

the United States by a foreign entity. With the settlement, it will pay out more than six times what it has received so far under a Brazilian probe into bribery schemes that involved company executives and subcontractors (Pierson 2018).

The role of CWTF was crucial in providing the misleading information which fueled U.S. investors to move a class-action lawsuit against Petrobras. This misguidance was based on two central issues supported domestically and abroad by CWTF: firstly, the source of the bribery scheme would have come from Petrobras' balance sheet, not from subcontractors' profits – which would make the state oil company criminally responsible and not a victim; secondly, as a consequence, CWTF considered Petrobras' balance sheet adjustment due to collapse of oil prices as a result of corruption schemes in itself. Besides all this financial bloodshed, there is also a set of compliance rules which require the company to maintain an inspector appointed by the U.S. Department of Justice on its premises and at its own expense with complete access to all documents, equipment, service providers and employees for a period of time of between three-to-five years.

In order to understand the Brazil-U.S. Judicial Cooperation Agreement, that became the foundation for a new standard of judicial seigniorage from U.S. over Brazil with geopolitical and commercial consequences, one must analyze the constitutional powers of the FPPO in the Brazilian government branches, and the information sharing and legal tutoring that Brazilian judges and prosecutors obtained from their U.S. counterparts.

The FPPO has functional autonomy in the arrangement of the Brazilian Republic, a dynamic that does not have an equivalent in any other democratic regime. Its prosecutors constitute the highest position in a federal civil career. They are selected by means of highly competitive recruitment, have job tenure, and an unparalleled autonomy in relation to the government's other branches. In the U.S., on the other hand, federal prosecutors are politically appointed by the elected government. All U.S. prosecutors are substituted with the change in executive term and respond directly to government strategies. In other words, they are positions trusted by the president (Savage and Haberman 2017).

Since the beginning of the investigation of the Petrobras corruption scandal, the FPPO has assumed a position of direct negotiation with U.S. authorities in terms of information sharing and has subsidized the U.S. Department of Justice in its actions against Brazilian companies and interests. Given that the Judicial Cooperation Agreement of 2001 determined that this relationship should occur between the executive branches of the two countries, all initiatives should be managed between the U.S. Department of Justice (DoJ) and the Brazilian Ministry of Justice. When the clause concerning the protection of State interests present in the 2001 agreement is kept in mind, it is clear that the elected administration has the prerogative, being entitled by sovereign powers, to set the limits of this cooperation, always preserving the strategic interests of its own country. Why hasn't this occurred in the case of the Petrobras scandal? Why has the Brazilian FPPO assumed direct management over information sharing and cooperated with U.S. prosecutors without legal intermediation of the Brazilian Ministry of Justice, as became clear according to a detailed statement provided by the Acting Assistant of Attorney-General of U.S. DoJ, Kenneth Blanco, during a public joint conference promoted by Atlantic Council (Blanco 2017)?

Several hypotheses have been raised to explain these questions. Some of them sound prosaic, such as the way in which the Ministry of Justice saw its prerogatives completely weakened by the irresponsible and naive gestures of former Presidents Lula da Silva and Rousseff. They bet on the corporatist consolidation of the FPPO, abdicating the legal prerogatives of appointing the Attorney General, as well as delegating prosecutors with the possibility of jointly choosing their own boss. With functional autonomy and corporate control over the decision-making process, the conditions were such that the FPPO was able to claim powers that collapsed the sovereign

prerogatives of the executive branch. However, as I will outline in the next section, this seized autonomy by the FPPO wouldn't have been politically possible without the role of media outlets to operationalize lawfare procedures.

## The alliance between mainstream media outlets and the Car Wash Task Force: operationalizing lawfare

A new mechanism of sabotaging the democratic regimes has perhaps been found at the heart of this collaboration between media outlets and the CWTF. If in 1964 the Brazilian mainstream media appealed to the military, begging them to violently dismantle democratic coalition and install an authoritarian regime, now the judiciary ranks give a broad legitimacy to the conservative agenda vocalized by media conglomerates, decreasing the cost of political conflicts in society. In order for this interaction to function satisfactorily, mainstream media has hidden from public view the arbitrary meaning of CWTF operations, such as undefined pre-trial detentions; selective leaks of ongoing investigations; illegal wiretapping; and indictments based on whistleblowing, originating from plea bargain agreements without material evidence, etc.

In fact, Brazilian mainstream media not only disguises such practices, but also maliciously takes advantage of their arbitrariness to act as an accomplice of the CWTF in the practice of what has been called *lawfare* (Kittrie 2016). In exchange for turning a blind eye to arbitrariness, CWTF's leaders have been ruthless in the way they deploy lawfare to the political adversaries of the media outlets, while sparing their political allies and the very media conglomerates themselves (Audi 2018). By means of lawfare tactics, it has also been easy for mainstream outlets to employ character assassination methods against political parties, social groups and public figures (Shirayev and Icks 2014). Here, it is possible to adapt an old regional adage: "for my friends, everything; for my enemies, the *lawfare*".

The most well-known example of how this "cooperation" has spared political allies is the way in which the FPPO has avoided sharing information with the U.S. DoJ over the investigation of corruption at the International Federation of Association Football (FIFA), which could drag Grupo Globo to the epicenter of a scandal, suspected to be involved in an active bribery scheme to buy the broadcasting rights over international FIFA tournaments (Chade 2015).

Based on that relation of legal subversion, CWTF has been rewarded by media outlets which confer judges and prosecutors the support to their claim of "re-foundation of the republic", inflating their corporate and political ambition, and unleashing bureaucratic balkanization into the state apparatus to the detriment of the democratic sovereign state's prerogatives. Reinforced by the arbitrariness of a state of exception, the bureaucratic balkanization also deepened the rent-seeking behavior of judges and prosecutors who explore legal loopholes to amass extra income, providing them an average salary higher than the Constitution allows. According to the last report released in 2017 by National Council of Justice (Conselho Nacional de Justiça, CNJ) a Brazilian judge cost on average BRL 47.7 thousand, when the legal ceiling on a civil service career is BRL 33.7 thousand.

In spite of the fact that in decisive moments the Supreme Court has abdicated its role as a reviewer and acted as an CWTF accomplice, as it was on the case in the favorable ruling of the Federal Regional Court (TRF-4) concerning the CWTF's mechanisms of legal exemption, lately the 2nd Supreme Court Committee (2a Turma) in charge of reviewing the CWTF rulings has rejected most of indictments based on the principle that whistle blowing without substantial evidence shouldn't be admitted. An updated balance over indictments and convictions resulting

from four years of CWTF investigations points out that among 22 indictments opened in the last three years, 10 have already been judged and only 1 resulted in conviction. The investigation over 25 politicians indicted by means of plea bargain agreements has been closed owing to lack of substantial evidence (Valor Econômico 2018b). Although such numbers have not been positively publicized by media outlets which try to hound down those judges not aligned to the thirst for punishment of public opinion, such a sound evidence base shows how lawfare mechanisms provided grotesque and weak lawsuit cases which mainly served to feed politically fabricated scandals and reinforce *informational cascades* – “when all actors make the same assumptions, reproduce the action, and pass on the same signal– even when the signal might be untrue.” (Damgaard 2018)

On the other end of the alliance between the corporate media outlets and the judiciary, Brazil has one of the most backward systems of media regulation in the democratic world. Despite the fact that the share of Brazilian TV broadcast ad revenues has dropped from 64.7 to 53.6 percent between 2013 and 2017 – as the major result of Internet expansion in the country – this couldn't be even remotely compared with the 2016 worldwide turning point, when Internet advertising exceeded TV-generated advertising for the first time (Folha de S. Paulo 2018). Those numbers should draw our attention to the political centrality of broadcast TV networks as the main source of information mediation in Brazil and the leverage of its players. Cross-ownership of corporate media outlets is common, and private monopolized groups control both advertising revenues market and audience share. The single and largest conglomerate, the Globo Group, comprises several companies, such as newspapers, radio stations, magazines, news websites, publishing houses, film production company, open and paid TV channels. The world's second largest TV network, only behind North America's ABC, Globo TV holds at least a 50 percent share of the country's audience at any point in a 24-hour period, according to the most important audience ratings institutes such as GfK and Kantar Ibope Media (Ariens 2017; Castro 2017). Amassing a net revenue of BRL 14.8 billion (approximately USD 4.5 billion) in 2017, Globo Group ranks in 19th position among Top Thirty Global Media Owners report from Zenith's ranking of the world's largest media companies focused purely on media owners' revenues<sup>4</sup>.

The leverage of the Globo Group over the Brazilian political, cultural and corporate landscape remains unchallenged (Barbara 2015). Their capacity to set agendas and make actors and subjects invisible, works as a whitewashing regime in Brazil. According to data from the Laboratory of Media and Public Sphere Studies, at the height of the impeachment campaign between December 2015 and August 2016, the TV Globo's most popular news program *Jornal Nacional* dedicated 13 hours of negative coverage against former President Lula da Silva, four hours that was considered to be neutral, and no coverage which showed Lula in a positive light (LEMEP 2016). The excuse raised by Globo's ombudsman on overwhelming evidence of biased coverage has been to claim the duty of adversarial engagement towards *any political actor*, or what the Globo's op-ed staff also advocated: journalism as a watchdog of society. However, the significant amount of scholarly research which has already been done in this area proves that this claim does not fit at all with Globo's journalism historically (Feres Jr and Sassara 2016).

The major provider of ideological support to the military regime which ruled Brazil between 1964-1985, and also its main commercial beneficiary through the access of governmental licenses for radio and TV broadcasting that were denied to its competitors, Globo Group's oligopolistic history would not be intelligible without considering its interchangeable relationship with political state power (Wilkin 2008). Although suffering some setbacks in successive electoral cycles since the return of Brazilian democracy in 1989, the Globo Group has been successful as a national veto player, shielding its chosen winners from criticism and submitting its ideological enemies to

relentless bullying, always pushing them towards a neoliberal alignment and full support to U.S. foreign policy.

Such a pattern of biased journalism was carefully nourished by a regime of arbitrariness created by the CWTF itself, which provided a profuse amount of biased investigative material, based on statements without evidence, to promote a daily lynch-mob regime. As has been observed by Brazil-based U.S. journalist and Pulitzer Prize winner, Glenn Greenwald:

Brazil's corporate media outlets are acting as de facto protest organizers and PR arms of opposition parties. (...) To provide some perspective for how central the large corporate media has been in inciting these protests: Recall the key role Fox News played in promoting and encouraging attendance at the early Tea Party protests. Now imagine what those protests would have been if it had not been just Fox, but also ABC, NBC, CBS, Time magazine, the New York Times, and the Huffington Post also supporting and inciting the Tea Party rallies. That is what has been happening in Brazil: The largest outlets are owned and controlled by a tiny number of plutocratic families, virtually all of whom are vehement, class-based opponents of PT (Workers' Party) and whose media outlets have unified to fuel these protests. (Greenwald et al. 2016)

Although Brazilian broadcasting TV networks still retain the greatest audience throughout the country, social media networks have displaced traditional corporate media outlets. According to the *Digital in 2017 - Global Overview* report, Brazil already has 66 percent of Internet penetration and its users spend a daily average of three hours 43 minutes online on social networks, ranking second behind only the Philippines<sup>5</sup>. Following the global trend, according to an updated national survey among websites and apps used by Brazilians to get information about politics, Facebook is in pole position with 27.9 percent of mentions, followed by WhatsApp and YouTube with 12.8 percent and 4.1 percent, respectively. Besides this, 68 percent of Brazilian social network users do not distrust the news on politics they get from such sources (Bülow and Stabile 2018)<sup>6</sup>.

Considering this context, the updated rank provided by a joint consortium called Spamhaus Project, which monitors global networks, found 537,128 bots at Brazilian networks in March 2018 – which represents the fifth largest volume after India, China, Vietnam and Iran, showing Brazil to be among one of the worst botnets countries in the world. According to specialized literature, botnets have already been used in Brazil for at least six years and there are no doubts that they are playing a crucial role in social media networks to develop a political narrative that laid the ground for street demonstrations which resulted in Rousseff's impeachment (Arnaudo 2017; Ruediger 2017).

## Social movements and libertarianism

There are still few systematic studies about the emergence of conservative social movements in Brazil from the context of the 2016 coup. Yet, it is possible to point out a profound confluence of interests between corporate media outlets, the ideologically conservative platform of civil organizations, their cooperative ties with Brazilian and U.S. think tanks, and the effective role of internet social networks for public mobilization. This set of factors has played a crucial role in fabricating consensus on public opinion in relation to the measures of exception adopted by CWTF, the ousting of former president Dilma Rousseff and, above all, for the agenda of reforms implemented by the Temer administration.

This ideological association has also been energized by commercial and economic interests behind the engagement of corporate groups in current political struggles. Brazil has one of largest

private educational markets in the world, the product of inter-generational negligence in the provision of quality public education. In order to fulfill the growing demand of the middle class for quality education, national and international investment funds such as Advent International have taken control of schools and universities all over the country and become deeply interested in the commodification of regulatory procedures over education. One conspicuous case of this is the editorial group Abril, which tried to take control of textbooks marketed to public schools, although was then prevented by the central government (during the Lula da Silva administration), which used its bargain power over public purchase to block the Abril group. Another case is Jorge Paulo Lehmann (Brazil's richest man) and also owner of the second largest private educational conglomerate. Lehmann has stood out as one of the most active businessmen over educational reforms towards commodification of its pedagogical instruments through his think tank *Fundação Estudar*. While the Abril group is the publishing house of *Veja* – a neoliberal fanatical publication and the most read weekly magazine in Brazil – Lehmann's think tank has provided support for libertarian movements behind the street demonstrations which fueled the coup d'état in 2016 (Senra 2015).

The huge impact that national and foreign billionaires have played in Brazilian domestic politics by supporting think tanks, foundations and civil society initiatives to shape new trends on public opinion, is not driven by moral altruism. These billionaires are above all the greatest supporters of the commodification of public services and market-oriented reform agenda worldwide, which, incidentally, fits like a glove in the coup's wider program. Among many other philanthropic billionaires, the role played by the Koch Brothers, George Soros, Bill Gates, Warren Buffett, Jorge Paulo Lehmann and João Moreira Salles in long-term cultural and political battles is often associated with a regressive agenda on civil and social rights, and in some cases in supporting a morally progressive agenda. However, there is a common ground among both of these: as globalizers, these individuals won't support an organization that stands against market deregulation and neoliberalism. It is possible to observe this trend when witnessing the spread of the identity politics agenda in Brazil and its elective affinities with the forces of cognitive capitalism, reflected on functional complementarities of the patterns of neoliberal accumulation in itself, which have been strongly boosted by the powerful philanthropists mentioned above. In fact, in this regard there is a great deal of resemblance with what has been called "progressive neoliberalism" in the U.S. (Fraser 2017). In other words, there is a kind of progressive political movement which is not necessarily opposed to capitalism supported by George Soros but only against the principles and values of moral conservatism, which represent a resistance to globalist expectations desired by financial communities.

Among the plethora of new think tanks and civil society advocacy groups that have emerged in Brazil in recent years, it is worth highlighting the following to understand their role in the coup d'état: the *Instituto do Millenium* (Millenium Institute, IMIL), the *Movimento Brasil Livre* (Free Brazil Movement, MBL) and the *Movimento Escola Sem Partido* (School without Party Movement, MESP). IMIL, which is the biggest and most institutionalized advocacy think tank relies on financial support from business tycoons and the strong engagement of pundits from large-audience mass-media. The MBL, which also has enormous mainstream media visibility, is aimed at the organization of street demonstrations, which has been happening in the country since 2013. The MESP is a movement that emerged through the initiative of an obscure Public Attorney, and consolidated itself as a tool for political battles aimed at cultural intimidation by creating legal initiatives that promote surveillance over teachers and censorship of pedagogical material in Brazilian schools.

It has taken Brazilian scholars some time to figure out the ideological and political patterns behind such organizations. These three organizations not only have an ideological affiliation with Atlas Network, but have engaged deeply to emulate the political practices of the U.S. think tank founded in 1981 at the dawn of the Reagan administration's regressive policies (Fang 2017; Djelic and Mousavi 2016; Baggio 2016). This organization was founded by Anthony Fisher, during a bulge in the neoliberal movements inspired by Milton Friedman, Friedrich Hayek and Margaret Thatcher. The Atlas Economic Research Foundation announces on its site that it involves a network of over 450 think tanks in approximately 100 countries. It involves a model of coaching that supposedly seeks to "strengthen the global freedom movement, expanding and energizing the network of leaders of think tanks to continually inspire and redefine excellence for the advancement of the cause of freedom"<sup>7</sup>.

Among IMIL's sponsors are key members of corporate media outlets and business and financial tycoons, which belong to its "chamber of maintainers": João Roberto Marinho (Globo's owner), Armínio Fraga (former Managing Director of Soros Fund Management) and Jorge Gerdau (country's largest steel producer). The IMIL also gathers and nourishes a broad range of specialists and collaborators who have great visibility within media outlets, such as: Leandro Narloch, Carlos Alberto Sardenberg, Demétrio Magnoli, Denis Rosenfield, Merval Pereira, Fernando Gabeira, Ricardo Amorim, Rodrigo Constantino, Gustavo Ioschpe, Hélio Beltrão, among others. All of them have been ostensibly engaged in both the PR campaign in favor of the coup, as well as the neoliberal agenda of the state retraction. They have played as secondhand dealers in ideas which means a second "circle" of intellectuals, which do not include "original thinkers" nor "scholars or experts in a particular field of thought", but instead "journalists, teachers, ministers, lecturers, publicists, radio commentators, writers of fiction, cartoonists and artists" (Hayek 1949). As the think tank literature has mentioned, in order for the neoliberal agenda to reach "public opinion" and "policy making" it would have to be relayed and "performed" by broad and interconnected networks and circles of carriers and intermediary professionals, those otherwise referred to as "intellectual foot soldiers" (Djelic and Mousavi 2016).

The MBL goes beyond IMIL as a street demonstration organizer boosted by high social media skills. Inspired by the Students for Liberty networks – originally structured by graduates of the Institute for Humane Studies (IHS) Koch Summer Fellowship Program – which claim to defend the empowerment of young neoliberal students, with close ties to the Atlas Network's young leadership training programs. In February 2017, the website of the Brazilian branch office called *Estudantes pela Liberdade* released data which said that they had trained 3463 people, involved 298 universities, created 235 groups and financed 27 projects in five years. With a brief survey of the programmatic agenda of these organizations, it is possible to see the mainstay that ideologically organizes the agenda of reforms proposed by the Temer administration.

However, what catapulted the MBL was its capacity to combine the visibility of its street demonstrations, guaranteed by the media outlets, with the effective use of internet social networks to make them go viral. There is a gray zone of political struggle in which major corporate media outlets find it difficult to navigate without unduly risking their credibility, but by granting visibility to far-right extremists leaders they allow the outsourcing of a dirty war in public opinion that significantly affects political positions. Preliminary surveys have demonstrated that the MBL is one of the main organizations for diffusing "fake news" on social networks, consolidating itself as a promoter of post-truth scenarios.<sup>8</sup>

These surveys have been confirmed by the Facebook of late, which deactivated 196 pages and 87 accounts used by the right-wing Brazilian activist group for their part in "a coordinated network that hid behind fake Facebook accounts and misled people about the nature and origin of

its content, all for the purpose of sowing division and spreading misinformation” (Haynes 2018). In spite of this, social media has still inflicted serious damage on the electoral process in Brazil. By deploying WhatsApp, a Facebook-owned messaging service, supporters of president-elect, Jair Bolsonaro, delivered an onslaught of daily misinformation straight to millions of Brazilians’ phones in a powerful, coordinated, and multimillion-dollar disinformation campaign intended to discredit his rivals: a campaign that created an unfair imbalance in the 2018 electoral results (Belli 2018, Machado 2018). Just a few days before the runoff Whatsapp took an unprecedented step of banning more than 100,000 accounts containing political spam and misinformation, this was a measure that unfortunately came too late in the day, however (Frier and Camillo 2018).

The same pattern goes for the MESP: by guaranteeing visibility to its founder, as a legitimate representative of “new social movements” mainstream media outlets have outsourced the means of political intimidation, methods similar to McCarthyism. Although MESP allegedly defends schools without “ideological bias”, its founder wrote articles on the Imil website in defense of “a school that promotes Millenium values” in which its alignment with libertarian program was undisputed (Miguel 2016). What makes MESP even more dangerous is its alliances with conservative political leadership within the legislative branches, with the aim to propose laws that restrict the freedom of speech and diversity of pedagogic content in Brazilian schools. According to Article 3 of Law Project (PL) 867/2015, sponsored by MESP and submitted to the National Congress: “the practice of ideological and political indoctrination in classrooms shall be prohibited, as well as distributing content or carrying out activities that could be in conflict with the moral or religious convictions of the parents or responsible parties of the students.”

The possibilities of a perverse association of this legal device with the interests of the evangelicals in Congress are undeniable (Corrales 2018). However, before this law project reached Brasilia, there are records of a series of other regional initiatives, as is the case of the approval of similar legislation in the northeast state of Alagoas, known as the “Free School in Alagoas”, and the Law Project 2974/2014 presented by congressman Flavio Bolsonaro in Rio de Janeiro, followed by a series of other legislative initiatives that try to emulate the MESP project on a municipal scale.

## **The immediate aftermath of the coup: collapsing the center of gravity**

As has been observed, the Brazilian political crisis is embedded in a broad range of geopolitical challenges. The coup d'état of 2016 is not an easily comprehensible political action as it was in 1964 during the cold war, when military ranks took power by violence. In order to analytically grasp the core mechanisms behind the collapsing of the rule of law in Brazil, it is paramount to look at the international cooperation established by State judicial officials and how they have become part of transnational communities, building alliances through which its hegemonic corporative position inside the state’s field of power has been more important than stands for the strategic interests of the country. In other words, a corporatist balkanization fueled by domestic political struggle and transnational incentives has established a geopolitical blindness.

Besides this, the new wave of doctrinal and technological tools deployed by U.S. strategic government bodies since 2001 can no longer be ignored to build hypotheses about political crises in geopolitically strategic countries like Brazil. The main challenge about it has been how to build an analytical framework to establish a sound correlation between U.S. hegemonic interests and the collapse of Brazilian sovereign integrity. The institutional initiatives adopted by the ruling coalition which took office in Brazil by way of the coup d'état have already displayed a com-

mitment to subordinate the country's strategic interests by dismantling its hemispheric alliances, passing regulatory reforms on labor market and pre-salt oil fields, and setting expenditure ceilings on the public budget. These initiatives, as we will see in the next section, have contributed to the undermining of the country's sovereignty, or what can also be termed its *center of gravity*.

The center of gravity is a Clausewitzian concept and also one of his most debated ideas. A center of gravity can better be described as internal bonds whose loss would produce devastating effects in the capacity of the enemy to wage war. In other words, these bonds maintain the integrity of will within the realm of the actor, and its degradation and/or destruction prevent it from engaging in effective actions inside the system.

This approach can be insightfully employed to understand the political unfolding produced by cyberwar techniques and professional network battles in the context of the Brazilian coup d'état. The specialized literature on the role of cyberwar in International Relations analysis has called attention to the promising application of Clausewitzian approaches operationalized by U.S. Army strategies forged in the 1990s (Greathouse 2014). According to one of the most influential approaches, any sovereign should be seen as a system composed by subsystems. Inside of each sovereign's nucleus there are several centers of gravity that can be located using a model of five rings as subsystems: leadership, organic essentials, infrastructure, population, and fighting mechanism (Warden 1995). The major innovation of this strategic war is that it targets the circles of vulnerabilities from inside to outside in order to compromise the leadership capacity to communicate, and the entire system to respond. As we are going to see in the following sections it was precisely in the middle of those five rings – i.e. infrastructure and population – where the core of policy initiatives was established by the coup coalition in Brazil. The military proposition behind this strategy has geopolitical consequences because it could be easily adapted in the context of non-conventional warfare, such as hybrid warfare.

Although a greater part of scholarly and policy-oriented literature on hybrid warfare has been focused almost entirely on the role of Russia and non-state actors as the main potential threats, there is a long-standing tradition on behalf of the U.S. Government to promote political destabilization against non-aligned regimes that cannot be ignored. In fact, hybrid warfare does not sound like a new political strategy when we look at political containment episodes during the cold war carried out by Western hegemonic powers and their associates. However, hybrid warfare has gained global relevance as western hegemonic states have determined that one of its main instruments of power monopoly – the control over information – was undermined with the advent of the Internet and powerful competing states able to take advantage of this new tool.

In addition, hybrid warfare has emerged as a main consequence of hybrid threats associated to asymmetric conflict scenarios resulting from global terrorism, piracy, transnational organized crime, demographic challenges, security of resources, the retreat of globalization, and the proliferation of weapons of mass destruction. Hybrid warfare could be also interpreted as an *effective influence operation* whose goals consist mainly of “non-kinetic, communications-related, and informational activities that aim to affect cognitive, psychological, motivational, ideational, ideological, and moral characteristics of a target audience” (Larson et al. 2009). In order to achieve such intentions, the specialized literature has suggested that lawfare could be used in the context of hybrid warfare as a weapon, with the goal of manipulating the law by changing legal paradigms. In fact, lawfare prospers in situations of legal ambiguity, and explores the legal limits and fault lines of its environment through the malicious exploitation of international legal treaties (Mosquera and Bachmann 2016). The updated research has also observed lawfare as “one of the actor's motivations to weaken or destroy an adversary against which the lawfare is being deployed” by

using – or misusing – law as a “substitute for traditional military means to achieve an operational objective.” (Kittrie 2016; Dunlap 2008).

Since well before the full implementation of CWTF, Brazil has already been framed by U.S. foreign policy as a place where hybrid threats take place. U.S. security concerns regarding drug trafficking, money-laundering, organized crime and official corruption laid the ground for the establishment of Brazil's Anti-Drug Secretariat in 1998, with the U.S. Government providing Brazil with equipment and personnel ever since. Following the hemispheric policy, the White House Office of National Drug Control Policy (ONDCP) deepened the relationship with Brazilian Anti-Drug Secretariat, while the U.S. Drug Control Enforcement Administration (DEA) has been active in offering courses for the Brazilian Federal Police throughout the country, organizing seminars and conferences, and providing growing financial support for counter-narcotics operations (Hirst 2013 and 2004). This close institutional relationship has always been followed by persistent lobbying by U.S. counterparts for passing more legislation and enhancing the enforcement infrastructure of existing legislation. This was the context in which legal operators in charge of CWTF have championed the extensive adoption of legal ambiguity and its fault lines by malicious exploitation of international legal treaties, as observed in the Brazil-U.S. Judicial Cooperation Agreement.

In the surge of this ostensive institutional initiative against those hybrid threats, after the U.S.'s diplomatic cables were revealed by Wikileaks, information was made available that points to the fact that the Brazilian judges, federal police officers and prosecutors, who now have leading roles in the CWTF investigation, also received training from the U.S. Known as “Projeto Pontes: Building Bridges to Brazilian Law Enforcement”, this 2009 document reports how the U.S. Government orchestrated in-depth training in Curitiba (the headquarters of the CWTF). This seminar focused on consolidating the bilateral application of counter-terrorism laws and practices involved judges and attorneys from 26 Brazilian states, as well as 50 federal police officers. According to a U.S. government memorandum, the seminar included debates concerning “the investigation and punishment of cases involving money laundering, including formal and informal cooperation between countries, the confiscation of goods, methods of gathering proof, plea bargain negotiations, using exams as a tool, and suggestions as to how to deal with NGOs suspected of being used for illegal financing.” At the end of the diplomatic cable it is worth highlighting the perspectives of “cooperation” with the U.S. Government:

Two large urban centers with proven judicial support for illicit financing cases, in particular Sao Paulo, Campo Grande, or Curitiba, should be selected as the location for this type of training. Then task forces can be formed, and an actual investigation used as the basis for training that would sequentially progress from investigation through the courtroom presentation and conclusion of the case. This would give the Brazilians actual experience in working on a long term proactive illicit financing task force, and allow access to U.S. experts for ongoing guidance and support. (WikiLeaks 2009)

What seems to be a well-intentioned project, can also function as an instrument of projecting U.S. geopolitical interests. Besides the fact that U.S. is not a state party to the Rome Statute of the International Criminal Court, the U.S. government in general uses its powerful diplomatic tools to prevent its nationals to be submitted to any foreign judicial ruling for criminal conviction. If U.S. nationals are not subject to foreign jurisdiction in any agreement honored by their own country, what are Judicial Cooperation Agreements if not an attempt to cover up U.S. extraterritorial interference in the sovereign matters of the countries that sign these agreements? (Araújo 2017) In practice, what has happened in the absence of the inter-mediation of sovereign representation during the execution of U.S.-Brazil Judicial Cooperation Agreement (formally entitled by the Ministry of Justice) and expansion of corporatist balkanization is that the legal operators in

charge of the CWTF have become mere service providers to their foreign counterparts. This is an agreement where the real instruments of power mobilized by the U.S. Department of Justice are largely superior to those of the Brazilian FPPO and are based on geopolitical and commercial interests that go far beyond the purpose of fighting corruption.

For everything that has been described so far regarding the role of CWTF in the Brazilian political crisis, it is reasonable to raise the concern as to whether the country isn't under siege from hybrid warfare in the form of lawfare. CWTF acted aggressively to dismantle economic sectors that constituted relevant inner rings of the Brazilian center of gravity, such as the country's energy infrastructure and the formal employment sector, affecting the very economic subsistence of the Brazilian population. This was not just about going after criminal schemes, where cases of corruption were verified, but mostly to implode the entire model of development. In October 2015, specialists at the Brazilian Institute for Applied Economic Research (IPEA) had already pointed out that the CWTF was responsible for the disruption of the oil and natural gas business chains (Villas Boas 2015). Official statistics released by the Brazilian Institute of Geography and Statistics (IBGE) indicate that 741,000 jobs simply evaporated only from the civil construction sector between the third quarters of 2014 and 2017.<sup>9</sup> Analysts point out that the effects are even larger when one considers the indirect vacancies (Scheller 2017).

### “A Bridge to the Future”

One of the most impressive aspects of the coup coalition was the ease and speed with which it succeeded in passing a set of reforms in Congress that disfigured not only the public policies that were inaugurated by the Workers' Party, but also social rights established by the 1988 Constitution and the bargaining system between capital and labor. Also known as “A Bridge to the Future”, a program established by leading neoliberal characters such as Marcos Lisboa and José Marcio Camargo (both deeply associated to Imil)<sup>10</sup>, is the macroeconomic core of the coup agenda and operational tool to undermine the *center of gravity* due to its permanent implications for the future.

### Energy and pre-salt: “suddenly everything is for sale”

One of the Temer administration's first initiatives was to disassemble the model of pre-salt oil exploration established in 2010. On November 29, 2016, Temer sanctioned Law No. 13,365, which changed the pre-salt exploration rules, and removed Petrobras' status as sole operator, ending the requirement that the state oil company should participate in all of the exploration blocks, and opening space for the entry of new foreign competitors. Given that the volume extracted from these reserves multiplied from 85 thousand barrels per day (bpd) in 2011 to a current value of 1,76 million bpd in 2018, of which 70 percent are produced by Petrobras, this regulatory change hit the very core of Brazil's greatest geopolitical asset: especially considering the fact that Brazil is sitting on one of the largest high quality oil reserves globally not located in a military conflict area (Petrobras 2018).

The Pre-Salt Law of 2010 required Petrobras to have a minimum participation of 30 percent in all oil exploration blocks. Moreover, the state-owned company was the exclusive operator, in charge of controlling the costs of the business and the complete design of the operation. Therefore, the objective was to guarantee Petrobras an instrument of technological aggregation in the various business chains, functioning as a technological spillover. A system of local content was the

center of this policy of technological diffusion. In February 2017, however, the Temer administration significantly reduced local content requirements. While local content rates for oil production and exploration varied between 85 percent and 75 percent up until 2016, the local content index for exploration on land became 50 percent. At sea, the minimum became 18 percent during the exploration phase, 25 percent during the construction of wells and 40 percent in the systems of collection and outflow. On offshore platforms, the percentage was changed to 25 percent.

These initiatives were adopted alongside the dismantling of the Local Content Committee, on which the BNDES, FINEP and ANP<sup>11</sup> also participated and coordinated the industrial policy decision-making process, causing multiple impacts on the shipbuilding industry, as well as the machinery and equipment production chain. On the other hand, although the new pre-salt law does not change the 15 percent earmarked for health and education funds, the difference between Petrobras' and foreign oil companies' operational costs should lead to a reduction in revenue in blocks where Petrobras is not the operator.

In addition, according to studies by the Legislative and Budget Advisory of the Chamber of Deputies, the new rules envisaged in the auctions of the National Petroleum Agency held on October 27th 2017 should reduce the government's return on investment for exploring new pre-salt fields. The surpluses from oil exploration shared with the Union, which was 41 percent in the Libra fields, now hovers between 10 and 22 percent in the new auctions. At the same time, Provisional Measure (MP) 795, which was passed by the Chamber of Deputies, reduces the income tax and Social Contribution on Net Income (CSLL) of oil companies. With these new measures, studies point to a loss of revenue of BRL 40 billion per year for all oil fields, or BRL 1 trillion over the next 25 years, according to MP's benefit forecast, which are expected to extend until 2040 (Lima and Lima 2017; Militão 2017).

These fundamental changes have sparked a great deal of interest from foreign oil companies by means of its investment in the fourth round of pre-salt bids, through which the Federal Union grants the rights to explore and produce oil and natural gas in Brazil. Altogether, 27 companies have already invested BRL 21.1 billion (approximately USD 6.5 billion) in the acquisition of assets in the five auctions held between October 2017 and June 2018 (Ramalho 2018). Petrobras has also sold part of its assets without a bidding process. The aim announced by the company's board is to reduce the ratio between net debt / EBITDA by 50 percent in a very short period, so that this ratio will stand at 2.5 by 2018, which forced the company to divest assets heavily.<sup>12</sup> This strategy is part of the company's net debt reduction policy released to the public, 80 percent of which is in foreign currency. The most well-known cases of divestments were the Carcará and Roncador fields sold to the state-owned Norwegian company, Statoil, for close to USD 2.5 billion and USD 2.9 billion, respectively. Meanwhile, slices of the Lapa and Iara fields, in turn, were sold to the French oil company, Total, for close to USD 1.95 billion. These prices were far lower than what would be fair according to the total volume of oil expected from those reservoirs. In total Petrobras has already sold over USD 17 billion in assets since Temer took office till 2017 (Estado de S. Paulo 2017).

The strategy of alienating assets has been based on a rhetorical justification: the much-repeated idea that Petrobras is financially broken. In order to face these consequences, the only way out would be to sell as many assets as possible and keep domestic prices of oil products aligned with international prices. Considering the high international demand for the long-term bonds issued by Petrobras in recent years, it does not make sense to assume that the company has (or had) an insoluble financial problem. The strength of an oil company is based not only on its debt, but on a combination of its technological capacity for exploration and processing and, above all, for its proven reserves, which currently stand at the fifteenth largest globally.

Considering that the majority of Petrobras' indebtedness derives from the explosive combination of exchange rate devaluation on top of debt held in foreign currency, the strategy of selling assets with a high return potential in the medium-to-long term, to solve a debt problem in the short-term does not seem to make sense. This option sounds even worse when it is observed how the oil business sector worldwide structures its production chain vertically from well to pump. The unbelievable purpose by Petrobras's board to give up central pieces of its business such as BR Distribuidora, a retail and distribution arm with a roughly 40 percent market share, and Braskem (a major player in the international petrochemical market) offers some insight into the country's mismanagement. Bargaining relationships in the international oil market are unfavorable to sellers in a context of global recession, especially with accentuated corporate debt. According to specialists, Petrobras' deleveraging curve could be adopted without prejudice to the sale of assets, such as the case of pre-salt blocks, if the board's company implemented a strategy of gradual reduction which established a goal of a net debt/EBITDA ratio of 3.1 in 2018 (Coutinho and Assis 2011).

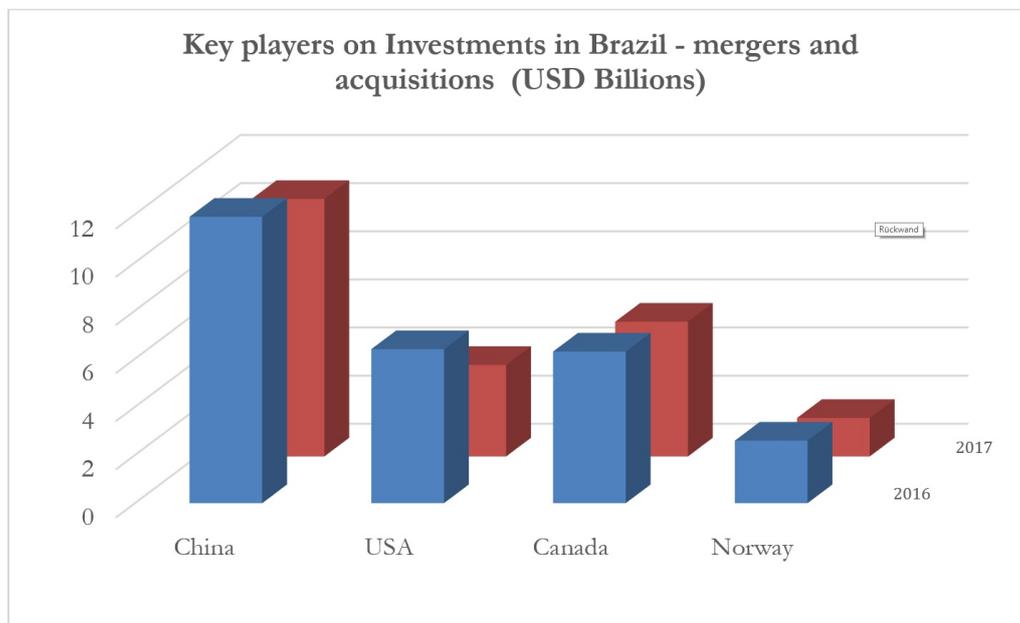
In spite of being a self-sustainable oil producer country with total output of 2.6 million bpd, comfortably above of 2.2 million bpd of its own domestic needs, Petrobras has deliberately underutilized its own oil refining capacity: which now stands at just 68 percent. The obvious result has been the significant increase in imports of oil products. According to Brazilian Oil National Agency (ANP) data, 207 million barrels of oil products were imported in 2017 - 68 percent more diesel and 53.8 percent more petrol, over the last year. This was one of the reasons why Petrobras dropped the policy of repressing the price of oil products and promoted an automatic international price alignment: to allow market competitiveness for energy commodities traders, which started to make real money with the import of oil products. The other reason has been the improvement of the company's cash flow and dividends payments for shareholders. Considering the fact that the country's entire transport system is run on fossil fuels, the impact on the population of the daily readjustment of petrol and diesel prices is plain to see. The main political consequence underestimated by the coup coalition was the truck drivers' strike, which took the country by storm, freezing the entire transport of goods and services for two weeks in May 2018, and resulted in Petrobras CEO losing his job. This did not, however, result in an overthrow of the price policy. If we remind ourselves of Warden's model of five rings as subsystems, the Petrobras policy established by the coup coalition fits exactly on those two central subsystems for non-conventional warfare: population and infrastructure.

Finally, federal and state governments have engaged in a new wave of privatizations of energy assets. In 2017, several states put innumerable assets related to generation, transmission and distribution up for sale, including Cemig, from Minas Gerais; Cesp, from São Paulo; Copel, from Paraná; CEB, from the Federal District; and CEEE, from Rio Grande do Sul; as well as the federal company Eletrobras (Pereira and Scaramuzzo 2017). The change in the concession model that reduced the cash flow of electricity companies, linked to indebtedness from heavy investment, and a change in the orientation of state-owned banks' loan policy that began to support privatization under Temer's administration, has resulted in a financial bottleneck for companies.

With the auctioning of four of Cemig's hydroelectric dams in September 2017, the government opened space for an increase in foreign participation in the Brazilian electric generation grid. Among the groups that have acquired these assets are China's SPIC Overseas, Franco-Belgian Engie and the Italian Enel, which together have disbursed USD 12 billion to buy amortized power plants. In a context where OECD countries are reversing privatizations of generation assets and blocking the entry of foreign groups into the acquisition of assets in the name of national

security, this untimely decision by the Brazilian government does not seem to be consistent with the strategic interests of the country (Hansen and Jacques Percebois 2017; The Guardian 2017).

The unprecedented nature of the Brazilian State divestment policy implemented by the Temer administration has become the subject of international mockery. Business newspapers have called attention to the role of CWTF in deepening the country's recession, pushing to bankrupt some companies targeted and, consequently, making room for foreign acquisitions of those Brazilian assets. Quoting Chinese investors and their hunger for acquisitions in Brazil, the Financial Times remarked: "suddenly everything is for sale, from ports and highways to airports and railways" (Leahy et al. 2017).



*Source: Dealogic*

## Proposal of Constitutional Amendment PEC/55

Certainly, the PEC/55 is one of the most insidious measures designed to disable the Brazilian population's access to public policy instruments, which are fundamental to keeping its own sense of belonging to a polity. Approved by the Senate on December 13, 2016, PEC/55 establishes a new fiscal regime by enforcing a ceiling on public spending by the three branches of government. The approved amendment to the Constitution states that annual expenditure growth cannot exceed inflation, resulting in a real freeze until 2036.

According to estimates by the Brazilian Institute for Applied Economic Research (IPEA), the new fiscal regime will result in substantial losses of resources for social assistance policies. According to IPEA, in twenty years the losses due to the freeze will result in a 54 percent drop in the revenue needed to maintain the current coverage achieved by the social protection system, such as health and education. In other words, the new fiscal regime promulgated by the Senate

will promote a regression of the share of spending on social assistance policies to levels below 2006, from 1.26 percent to 0.7 percent of GDP between 2015 and 2036 (Paiva et al 2016).

Instead of the usual center-left coalition, the Brazilian central government does not have a problem of uncontrolled fiscal expenditure, on the contrary, Workers' Party administrations (2003-2016) were characterized by high primary fiscal surpluses. The Rousseff administration, in particular, retracted direct investment from the Union and state-owned companies between 2011 and 2014 (Serrano and Summa 2015). This means that the problem of the mismatch between revenue and expenditure needs to be looked at from the revenue side, which was where the Rousseff administration's stimulus policies were generous in their financial and tax exemptions. Therefore, the justification the Temer administration had for approving the PEC 55, based on the lack of balance originated from public expenditure, is fallacious. It may be necessary to look at the consequences of the PEC 55's expenditure limitations in order to find the political motivation for its approval.

Insofar as the Workers' Party has become a champion of primary fiscal surpluses, narrowing the capacity of Government direct investments, the only way to make a difference was to increase long-term loans from state-owned banks. Housing and educational credit programs, for example, played a central role in full employment rates, as they were observed until 2014. That worked as a magnet for new private service companies, which became the most profitable business sector and economically entrenched to keep their market share. At the same time, the model of expansion of access to public goods and services through credit created a new universe of consumers disassociated with the universal dimension of rights, opening up space for a conservative dimension of their fruition (Streeck 2012; Lavinias 2017).

There are many ways of privatizing public goods and services. The most well-known is by means of auctioning off state-owned enterprises and this was amply utilized in Brazil during the 1990s. The PEC 55 encourages privatization without direct divestment of state assets but through budget bottlenecks, which will result in the freezing of hiring new public servants and the physical collapse of services, year-on-year. Given that public services will not be able to keep up with population growth and its increasing demands for substantive social rights, in a country with high income mobility and reduced coverage of public services, the private market will have at its disposal a formidable repressed demand for profitable exploration.

## Labor reform

The labor law reform bill, passed in July 2017 by Brazilian Senate as PLC 38, will have far-reaching consequences on national legislation which regulates labor contracts (Consolidation of Labor Laws, CLT). As one of the backbones of the coup coalition, the initiative proposed by the Temer administration includes the alteration of 200 CLT articles and authorizes broad reductions in the quality of employment contracts. Among the proposed measures are: (1) suppression of rest periods, intermittent work; (2) the authorization of the outsourcing of all company activities; and (3) allowing negotiated terms to prevail over legislation, which represents the end of the compulsory collective agreement on a certain category of workers, weakening their bargaining power. Experts have warned that the measures open the door for the return of slave labor and servile forms of employment (CESIT 2017).

This set of measures is also accompanied by initiatives to weaken the budget of the Labor Courts, which is the enforcement body for compliance with labor legislation. In the 2016 budget, the Labor Court suffered a budget cut of 90 percent in requested investments and 30 percent in

budget costs, while other judicial areas underwent the same cuts at 40 percent and 15 percent, respectively. The immediate consequence of these measures will be a reduction in the capacity to process litigation, and even the closing of several labor courts due to a lack of resources. The latest data concerning the patterns of agreements between capital and labor after the reform, reveals that 69 percent of all extrajudicial agreements were approved by Labor Courts (Aguiar 2018). In addition, the Supreme Court rapporteur in charge of constitutional complaints against the labor reform demonstrated supported for the labor reform bill when it inserted greater litigation costs at the expenses of the workers in order to discourage “excessive judicialization” (Pompeu 2018). At the end of the first year of the reform’s implementation the number of litigations in Labor Courts has declined 36 percent, according to the Supreme Labor Court (Bonfim 2018). By July 2018, Brazil already had 37 million people, or 40.6 percent of the labor market, in informal and self-employed jobs and lacking basic employment security. Furthermore, the compound labor underutilization rate – which aggregates unemployed persons, time related underemployed persons and the potential workforce – stood at 24.6 percent, according to IBGE data for the second quarter of 2018. It will not be hard to realize which leverages have remained for the labor bargaining power after the bill was implemented.

## Dismantling of state-owned banks

One of the first initiatives of the Temer administration after Rousseff’s ousting was a complete reversal of the credit policies adopted by state-owned banks in the midst of the recessionary crisis of 2016. The volume of disbursements from the Brazilian Development Bank (BNDES) in 2016 and 2017 were only BRL 88.3 billion and BRL 70.8 billion, respectively, compared to BRL 133 billion in 2013. State-owned banks, under the guidance of the new administration, have relinquished their counter-cyclical role in containing the economic crisis. Alongside this collapse of loans, in December 2016 the BNDES advanced the payment of BRL 100 billion of the bank’s debt to the Treasury, equivalent to 120 percent of what BNDES disbursed that year. If all the demands announced by the Temer administration are met, by 2018 BNDES will have to pay back approximately BRL 310 billion, which represents more than half of the Treasury’s credit stock to the bank in 2016. If these payments are made, which the government expects they will be, will reduce the size of the credit asset and jeopardize BNDES liquidity in the medium term. BNDES has applied these funds for an average term of more than seven years, while the prepayments required by the Temer administration reduce the bank’s cash flow immediately.

Elsewhere, in September 2017 the government was able to approve the proposed modification of the TJLP, which is the interest rate on loans from the BNDES. The new Long Term Rate (TLP) has replaced the TJLP with the IPCA<sup>13</sup> added to a fixed spread in the contract equivalent of that paid by the Treasury for five-year bonds (NTN-B). The Long-Term Interest Rate (TJLP) was the center of the very credit policy subsidized by the BNDES and fulfilled three functions: (1) to prevent productive investments from being hindered by interest rates adopted by the Central Bank, which are recognized to be among the highest in the world; (2) to serve as an instrument of competitive advantage for the capital goods industry against foreign competition; and, (3) to prevent Brazilian companies from dollarizing their balance sheet through foreign borrowing. Now, according to experts, with the new Long Term Rate (TLP) the BNDES credit cost will be higher than the basic rate of commercial banks. It will also be even higher than the capitulation cost in the capital market by companies with good credit risk. In addition, TLP will tend to fluctuate a lot and increase substantially in times of crisis, accentuating pro-cyclical behavior (Torres Filho 2018).

The TJLP amendment proposal theoretically originates from an old demand formulated by a neoliberal economic think tank called Casa das Garças. The main claim from this group of economists is that the extinction of subsidized credit, which would represent 50 percent of the stock of available credit, would improve the impact of monetary policy, allowing the Central Bank to reduce its own interest rate (Arida; Bacha; and Resende 2005). However, the transmission channel of monetary policy focuses on the flow of new loans and not on their stock, which is where in fact this proportion of subsidized credit can be verified, as the economists of the Casa das Garças pointed out. As an example, from the point of view of the flow of new loans, the BNDES disbursed 3.8 percent of all new bank loans in Brazil between 2011 and 2016 (Torres Filho 2017). In view of this residual participation, it seems highly unlikely that the suppression of subsidized credit from the BNDES will have any impact on monetary policy performance, but it will certainly impact the financing capacity of infrastructure investment in the country.

The other facet of the attack on policy banks is the dismantling of housing policies. As the main operator of the subsidized credit program - *Minha Casa, Minha Vida*, state-owned bank Caixa Econômica decided to suspend financing of housing for quota-holders, which used funds from the Severance Indemnity Fund for Employees (FGTS). This type of credit, also operated by another state-owned bank, Banco do Brasil, charged reduced interest for workers with formal jobs contracts in order for them to be able to finance their own property. This was the guarantee of the redistributive dimension of housing policy. With the increase in the unemployment rate the volume of withdrawals from the FGTS has grown substantially, subtracting the funding from public banks in a context in which the Temer administration has abdicated the counter-cyclical role that these institutions should play in containing recessionary trends in the economy.

The conversion of state-owned banks into pro-cyclical institutions is closely related to the transformation of corruption cases into the criminalization of public policies per se, as well as the very agenda of development itself. It is worth remembering that the main legal excuse used to justify the ousting of President Dilma Rousseff was the accounting operations employed to ensure the maintenance of public policies by means of state-owned banks' loan policies, more commonly known as "fiscal pedaling", initiatives that were absolutely regular by then and needed in times of financial crisis across the globe. In choosing measures that constitute a basic recipe for a developmental agenda worldwide, as if it was a crime in itself, the coup coalition not only revealed its ideological preferences, but also sought to frame it as a manifestation of an illegal public policy. Furthermore, by raising vague suspicions of corruption about public policies agencies that are part of the recognized *pockets of efficiency* of modern Brazilian state-building (Geddes 1996), such as BNDES, CWTF fulfilled the role of condemning in advance a bureaucratic vertex that plays a central role in the country's industrial and innovation policies. Regardless of the results of the investigations the developmental agenda itself, aimed at ensuring competitive support to an external trade policy, is now subject to suspicion and ample legal questioning domestically and abroad.

Beyond this imbroglio, considering how scholarly literature on industrial policy understands the provision of public funds as a relevant tool to overcome market failures that result to sub-optimal productive investment, the political and institutional changes adopted by the coup coalition will result in shock waves throughout the entire Brazilian productive regime. Indeed, the role played by BNDES as the largest long-term financial actor in Brazil, not only as a loan provider but also as an interlocking shareholder, settled the policy bank at the center of Brazilian capitalism (Musacchio and Lazzarini 2014). The capital market is still underdeveloped and not able to provide funds to large-scale projects with long-term returns, such as infrastructure. There are also

coordination problems associated with backward and forward linkages in production chains that need to be forged to spur endogenous development. Without the capital provided by state-owned banks, the lack of these complementary investments, necessary to offset the scarcity of private capital on long term projects, will block sovereign development. Finally, there are externalities linked to "discovery costs" which prevent the innovation process. By observing the processes of technological innovation worldwide it's possible to find out how public funds have played a central role in overcoming "discovery costs" so private investors can manage to play to its competitive advantages (Rodrik 2004; Mazzucato 2013).

## Conclusion

As we have seen since the beginning of this article, Brazilian judicial hypertrophy converted into corporatist balkanization by its multiple political and geopolitical associations is not only aimed at combating corruption, but has served as an instrument of ideological and institutional legitimation for dismantling the basic tools of Brazilian modern state-building and the triumph of the neoliberal agenda. In doing so, the coup agenda has laid the ground for undermining the basic instruments of institutional coordination and bargaining that Brazilian society had in exchange for destabilizing economic pressures. In a nutshell, Brazil's center of gravity has been seriously jeopardized.

As observed throughout this article it is not easy to arrange the multiple pieces behind the complex puzzle of the Brazilian coup d'état. The mainstream scholarly literature about coup d'états in the Global South is more familiar with classical military coup de forces, whereby a civil coalition is violently overthrown by the Armed Forces with the support of a strategic interest groups. Long-term containment by deploying a strategy of exacerbating *palace wars*, deepening professional corporatist balkanization by means of new surveillance technologies which make room for unconventional hybrid warfare through cyberwar and lawfare, is an area of research not yet well established.

The Brazilian political crisis needs to be inserted into a broad international picture where State hegemonic powers are facing unforeseen domestic and geopolitical challenges. These challenges are responsible for pushing national governments to introduce new tools in their foreign policy. Despite the fact that Brazil is not an immediate threat to U.S. national security, Brazil is a country where there are hybrid threats that flashed on the U.S. radar as targets for unconventional operations. Nevertheless, as I tried to identify at the beginning of this piece those foreign unconventional operations should not be learned in a Manichean way, but as part of the *translation operation* whereby domestic counterparts also played strategically with foreign allies to overwhelm their national contenders in order to seize the field of state power. The arbitrariness admitted at judicial proceedings implemented by CWTF, along with the macroeconomic and institutional reforms fostered by neoliberal economist networks, passed under the brand of "Bridge to the Future" and the political leadership of an illegitimate ruling coalition, wouldn't be possible without a long-term process of *web crafting* throughout Brazilian bureaucratic corporations.

Evidently none of those institutional abuses would be politically bearable without the powerful campaign maintained by corporate media outlets over public opinion. The incestuous relationship built between CWTF and media outlets in order to set lawfare procedures demanded an insidious PR program. As part of embedded knowledge networks these professional elites and their epistemic battles inside the field of state power have been able to produce new realities and build new kinds of institutions, organizations and behaviors by means of *performative power*.

Besides the corporatist balkanization fostered by the deepening of *palace wars*, Brazilian sovereign integrity was also seriously jeopardized as a result of the institutional and macroeconomic reforms implemented by the “Bridge to the Future” program. Indeed, these two aspects of the coup d'état were the central underpinnings which assured that Brazil would lose its center of gravity. More recently, Brazilian society was again engulfed in a general electoral campaign which for some would mean the nation could heal its wounds, allowing political resentment to dissipate and restoring political legitimacy for the next administration. However, the basic institutional engineering responsible for the coup d'état still remain after the 2018 elections and at worst will keep its political legitimacy for undermining any elected coalition which stands in its way. The political consensus behind CWTF is so overwhelming that with the exception of former president Lula da Silva, who is imprisoned, no public figure dare to openly challenge CWTF. Once opened, it is quite hard to close Pandora's box.

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## Notes

<sup>1</sup>A former and smaller version of this piece was submitted at Workshop Der brasilianische Staatsstreich und die Rechtsentwicklung which took place at Rosa Luxemburg Foundation in Berlin on September 26th and 27th, 2017. I'd like to thank James Barber for language reviewing the piece which significantly improved its clarity. The remaining mistakes are only mine.

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<sup>3</sup>Decree No. 3,810 of May 2, 2001

<sup>4</sup><https://www.zenithusa.com/top-30-global-media-owners-2017/>

<sup>5</sup>Digital in the 2017 Global Overview report from *We Are Social and Hootsuite* retrieved from <https://wearesocial.com/special-reports/digital-in-2017-global-overview>

<sup>6</sup>The survey was conducted by Instituto da Democracia e da Democratização da Comunicação, associated to Brazilian National Institute of Science and Technology (INCT), and covered a representative national sample of 2,500 voters. Ricardo Mendonça (2018): "68% não desconfiam que recebem notícias falsas", *Valor Econômico*, May 21st

<sup>7</sup><https://www.atlasnetwork.org/about/our-story>

<sup>8</sup>The Association of Specialists in Public Policy of Sao Paulo (AEPPSP) utilized the criteria of the "Monitor of Political Debate by Digital Means," created by USP researchers, to list the main sites whose production does not have a transparent editorial body or authorship of news, but has enormous diffusion on social networks. The sites with the largest amount of sharing are the *Jornalivre* and *Cetecismo Politico*, that count on the MBL page for distribution, as well as a million likes and shares per week.

<sup>9</sup>The data comes from Continuous National Household Sample Survey (PnadC). This survey is aimed at producing continuous information about the population's participation in the labor market in association with demographic and educational characteristics, also focusing on the study of the socioeconomic development of the country. Source: IBGE

<sup>10</sup>Dualibi, Julia (2016): "O Plano Temer – o namoro do PMDB com o impeachment", *Piauí*, Nr. 113, February 10th.

<sup>11</sup>Brazilian Development Bank (BNDES), Financing Agency for Studies and Projects (FINEP), National Agency of Petroleum, Natural Gas and Biofuels (ANP)

<sup>12</sup>EBITDA are the operating profits accumulated in the last 12 months before interest and amortization, taxes and depreciation, that is, proceeds from its operating activities before its obligations to third parties and accountable expenses in depreciation.

<sup>13</sup>Calculated monthly by the Brazilian Institute of Geography and Statistics (IBGE), IPCA reflects changes in the cost of living of families with monthly income of 1 to 40 minimum wages, living in the metropolitan areas. The Central Bank uses the IPCA as a reference to the inflation targeting system.

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