

Center for Strategic and International Studies

TRANSCRIPT

Press Briefing

“Previewing Brazil’s General Election”

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CSIS EXPERTS

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Paige Montfort: Thank you. And welcome, everyone. My name is Paige Montfort. I am the media relations coordinator here at the Center for Strategic and International Studies in Washington, D.C.

And today we have a great briefing lined up for you, "Previewing Brazil's General Election," to be held on October 2nd. Today's briefing will feature three CSIS experts who are going to discuss the candidates, their platforms, predictions for the first and second rounds of the election, U.S. and EU views and its implications for the future relationship with Brazil, and more.

As a reminder, we will have a transcript ready within just a few hours of the call. I'll send it directly to everyone who RSVP'd for the briefing, and it'll also be on csis.org.

Now, without further ado, I will turn it over to Dr. Ryan C. Berg, director of the CSIS Americas Program, to get us started and to introduce the rest of our expert panelists. Over to you, Ryan.

Ryan Berg: Well, thanks very much, Paige, and good morning to everyone who's joined us to discuss the Brazilian elections coming up on Sunday this weekend. We have a really superlative group of people on this call, and I want to first introduce the other two speakers who will be providing remarks today, and then I'll provide a quick set of framing remarks before turning it over to them.

So directly after me, you'll hear from Dr. Lauri Tähminen, who is a senior associate at the Center for Strategic and International Studies. He's the founder of Americas Outlook LLC, a global affairs business advisory and geopolitical analysis and risk firm, and he's also a co-founder of the environmental, social, and governance risk advisory firm, GEOSTREAMS. I'm not going to go into his entire bio, but suffice it to say, he's well steeped in Brazil. He's got a PhD in history from the University of Cambridge, with a dissertation on the intellectual history of Brazil, and is often thinking about Brazil from the sort of private sector angle and from the political angle.

And lastly, you'll hear from Thiago de Aragão, who is also a senior associate at the Center for Strategic and International Studies. Thiago is the director of strategy at Arko Advice. Many of you likely know Arko Advice as a great political risk analysis and political network analysis firm, doing excellent work on Brazil. Thiago has advised over a hundred companies, rating agencies, and investment funds from Brazil and abroad, and he's an alum of Johns Hopkins SAIS.

So you will hear from them directly after me. But what I want to do is provide maybe three or four minutes of framing remarks before turning it over to Dr. Tähminen.

What we've seen thus far in the race heading into Sunday's first round of voting is really little oxygen for candidates outside of the main two, as the media has sort of fixated on the race between Jair Bolsonaro, the incumbent president of Brazil, and Lula da Silva, the former president of Brazil. And that has taken a lot of the oxygen in the race thus far, there hasn't been much space for other candidates.

So I think it's important to note, there have been other candidates. Some have dropped out of the race early. There are still two other candidates that will be on the ballot on Sunday: Ciro Gomes, who has run for president, I believe, about five times, and Simone Tebet. Both of them are polling in around the 5 (percent), 4 or 5 percent range. Ciro Gomes might be a little bit higher. But suffice it to say that they are not hyper-competitive candidates going into the weekend. Again, the oxygen has sort of been taken up by the Lula-Bolsonaro race.

If you look at the polls currently, the race is certainly tightening. When polls – if you look at aggregated polls from earlier in the year, they show a wide disparity between Bolsonaro and Lula. Some of them were 15 or 20 points. Those have definitely tightened as we've gotten closer to Sunday's first round of voting. They were as close as about three or four points in a mid-September aggregation of polls. And now, as of about September 26th, that's one of the most recent poll aggregations, they're about seven points apart. So 43 percent for Lula and 36 percent for Bolsonaro.

There was one poll in this set of aggregations that showed Lula winning 52 percent of the vote in the first round. I don't think that is likely to happen. It would certainly buck the trend that we've seen since the return of Democracy in 1985 in Brazil, which is that every presidential election tends to go to a runoff. So seeing Lula take it in the first round with over 50 percent of the vote I think is – we're unlikely to see that. And the polling indicates that the race is tightening as Bolsonaro shores up his base and mobilizes his base, and as the economic picture gets a little bit better in Brazil. Inflation was down in the month of August. Inflation was predicted to decrease again at the end of September. And so in general, the economic picture is getting slightly better. And I think that will, of course, favor the incumbent, Bolsonaro.

Now, I want to preview very briefly the Biden administration's position on the election, because I think it's very important to consider the consequences here for the U.S.-Brazil bilateral relationship. And by my count, we have given Brazil what I would call "the talk" about five or six times. And what I mean by "the talk" is the United States expects to see a free, fair, clean election with a peaceful transition of power in Brazil. And reiterating that

the United States believes that Brazil is indeed a model for the region in terms of its electoral infrastructure.

And so the first time that talk was given was by CIA Director William Burns on a trip that he took to Brasilia. There was Avril Haines, the director of national intelligence who went to Brazil for others reasons, but also gave a version of the talk. Juan Gonzalez was in Argentina and Brazil, the senior director for Western Hemisphere affairs on the National Security Council. He also gave a version of the talk. At the Summit of the Americas in Los Angeles this summer, President Biden gave a version of the talk to Bolsonaro in his bilateral meeting with the president of Brazil. And finally, Lloyd Austin in his most recent visit to Brasilia for the defense ministerial reiterated that the United States expects to see a clean, fair – a free, fair, transparent election in Brazil.

And I think it's important to highlight this because if there is an election that the United States should be prepared to welcome a free, fair, transition, peaceful transition of power in Brazil, because the importance of the U.S.-Brazil relationship, in my opinion, has never been higher. World events and geopolitics are making it such that Brazil is – it's possible for Brazil to have its moment on the international stage. And I mean, things from energy and food security to the security partnership between the United States and Brazil. There are a whole host of reasons that I think we'll get into on this call for why the U.S.-Brazil relationship could be more strategic. But much of that, if not all of that, depends on there being a good, legitimate, democratic outcome in the first round and in the run-off elections.

So without further ado, I want to turn it over to Dr. Lauri Tähinen and, after that, Thiago de Aragão.

Lauri Tähinen: Thanks, Ryan.

So I'll be offering some remarks on how to situate this election, how to think about it, what are some of the paradigms floating around, and maybe some correctives to some of those as well. So 20 years ago, when Lula was first about to become president, it was all about the financial markets responding to Lula's presidency. What would the markets say about a president with Lula's profile in Brazil? And that, of course leaves something wanting.

And the good news is at least this time the conversation is about democracy as Ryan already highlighted. But there's also something potentially tendentious about that framing. There's a certain amount of truth to that, but it's also not the whole truth. And that's why I want to raise the first question as what if there's a perfectly normal election? And that remains something of a real possibility.

In Brazil, this would mean that we know the full results in the matter of a few hours, and I think we should all be ready to report and respond to that. And Brazil should be important even if it's not facing a sort of constitutional crisis. And this doesn't mean that you can't – I haven't registered, or many experts haven't registered what Bolsonaro has stated about his intentions of leaving the office. But it means counterbalancing it with also a certain understanding of essential Brazilian institutions and that these institutions can also hold some weight. So instead of just thinking about Bolsonaro's comments here, you think about – thinking about the issue more structurally.

And here, the U.S. comparison is always present in Brazil on this matter both amongst those supporting Bolsonaro and those fearing his actions. And one really important thing to highlight is that Bolsonaro has no Grand Old Party behind him that's willing to follow him to the brink and beyond. Brazil's Congress is infamously full of parties. He doesn't have a consolidated political force behind him like that. He does have the street to a certain extent, but not a consolidated political force in Congress.

And also, obviously, there are always concerns about the professionalism of Brazil's military and the proximity to Bolsonaro. But I also don't think that we should assume anything untoward in this situation before we have much better evidence than we've had to date.

Just to think back to a U.S. comparison, it was only very late during the transfer of power in 2020-2021 that it became obvious that the U.S. military wasn't in all cases and all moments being led by the president of the United States. So these situations can be tricky. But there are dangers in using Brazil for some shadowboxing for the U.S. political scene.

So if that's not the analogy or framing to adopt what might be a much better way to look at Brazil? To me, it's really the long political crisis that Brazil has undergone since 2013 or 2014. It's impossible to understand either the appeal or rejection of either Bolsonaro or Lula without reference to what began almost a decade ago at the end of the last commodities super cycle in 2013-2014.

And a lot of the election violence, it is very worrisome. But at the same time, Brazil, of course, has a lamentable record on that front and the news tends to be more that it's now happening at all different levels. We should not forget that Bolsonaro himself was attacked and hospitalized as a result in 2018. So this is – it's much less of a new phenomenon and much – and much more about the sort of long political crisis that Brazil has been undergoing.

What about these personas? Lula has bounced back from prison. We can pretty safely say that he's got this larger-than-life element that he had when

he was also president and he is unlikely to go away while he's on this Earth regardless of how this election turns out. But also to think about – Bolsonaro much more so we should think about as a function of the moment to the extent that there has been a rightward trend in Brazilian society that also shows up in – shows up in Congress. There's some staying power there.

But, as Ryan already mentioned, the economy is actually looking surprisingly good right now. Inflation is somewhat under control. There's even talks of moments of deflation happening in Brazil. So maybe there's some moments of sort of hope here. As much as Bolsonaro has damaged brand Brazil, he's also – has cut back on some of the red tape that's been entailed in investing or doing business in the country. And even the sort of headline problems that we often see having to do with deforestation, they are, to a large extent, also structural ones. I mean – and when the federal government has empty coffers due to a lousy economy, that leads to lousy enforcement, and these kind of changes take time. And it won't change overnight with Lula either. I mean, he – Lula in his first presidency benefited a lot from what Fernando Henrique Cardoso, FHC, who has was president beforehand, had put in place. So really think – the crucial question, is where are we in this long political crisis? Is this a possible turning point? If it is, then it's possible to paint a sunnier picture about Brazil.

So Ryan already sort of addressed the sort of bilateral relationship with the U.S., and it's important to think about the kinds of relationship-building that's actually happened under Bolsonaro. Brazil became a major – has become a major non-NATO ally of the United States, has been pushing to join the OECD, and concluded negotiating the Mercosur-EU trade treaty. These all indicate a sort of integrationist approach to North Atlantic – with North Atlantic structures. The problem, of course, is that Bolsonaro has also managed to insult the wife of the president of France, challenged legitimacy of the current president in Washington, and been somewhere ranging from flippancy to outrageous on the Amazon rainforest. So that's – it's very much a sort of mixed bag in terms of what kind of relations Bolsonaro has maybe on paper wanted to build and what he's been able to build with the outside world.

There seems to be a strong undercurrent, especially strong in Europe but to a certain extent also in the U.S., that once Lula returns everything is going to be fine, and this assumption is something we should be careful about. Anybody can look up the way that Lula still occasionally likes to praise the People's Republic of China, and think back and what Lula had to say about Europeans and Americans during the financial crisis. Some of it was pretty awkward stuff. And it's risky to assume that that Lula would also not return. But so that – needs to be some balancing on the sort of rosy outlook there.

One sort of structural thing that's also happened and it's affected Brazil's trading relations, affected Brazil's sort of outward presence is that the agribusiness sector in Brazil is now over a quarter of Brazil's economy. It's grown tremendously during this long political crisis. And the outside world really should – want to encourage Brazilian industry, services, manufacturing, and everything else to recover so that at least within Brazil they would have a more sort of equal and growing voice because obviously today agribusiness that does need land has a much stronger voice than some of these other sectors of Brazilian society. And agribusiness could continue to grow and feed the world in absolute terms while being relatively not as powerful on the Brazilian political scene, as long as Brazil is growing otherwise.

And now I basically have one final point here and that is what is Brazil a venue for? And here I would like to offer a hypothesis that too often it's a venue for acting out other people's acts, and here I'm thinking of things like why is Brazil the country of the future? That had everything to do when it originated the term with sort of mid-20th century preoccupations that that other commentators, outside commentators had to do with race in the United States or genocide in Europe, and the phrase itself was coined by Stefan Zweig who is somebody who had escaped Vienna run by the Nazis. And today I find that – the environment plays a similar kind of animating role. For example, Germany has frozen, during the Bolsonaro presidency, tens of millions of dollars of their Amazon fund. And meanwhile, in Europe right now, we can witness how the natural gas pipelines that Germany pushed for against much opposition are destroying the Baltic Sea.

So got to be really careful with the rainforest framing and the sort of who the subjects and objects in that conversation. Brazil obviously has a lot of problems like all countries, but it also has a very long history of renewables. If you look at CO2 emissions, there are less than those of Mexico, a country that manufactures a lot for the U.S. market. So having some sense of proportion is really – I think really important.

And the final thought: Brazil is a country of its own and not just a canvas for others. But that's – those are my remarks for today.

Dr. Berg: Great, thanks.

Thiago, all yours.

Thiago de Aragão: Well, thank you. Thank you, Ryan. Thank you, Lauri. It's a pleasure to be alongside you guys.

Well, the remarks, they are very precise, and what we have to observe also is that this is a campaign – this is an election campaign in Brazil that is much

more based on who the voter dislikes and rejects rather than who the votes – who the voter appreciates or endorses. So it's a unique electoral campaign because it focuses on rejection much more than appreciation, which leads us to conclude that whoever wins the elections, it is – we will have a president that will emerge with a higher level of rejection than normal, especially because many of the voters themselves that support currently Lula or Bolsonaro, they do not necessarily endorse Lula or Bolsonaro, but they are doing this because they are committed to removing one or the other – Lula from the Brazilian political spectrum, or Bolsonaro from the presidency.

When we look at the way that the campaign was made, we saw many parallels between Bolsonaro and what he observed during the Trump election: the continuous attempts to pinpoint that there are potential frauds in the – in the electoral system, which is of course nonsense given everything that was already tested, and the auditing, et cetera. But this is a common ground that we will see resuming if Bolsonaro loses the election, either in the first round, or in the second round.

At Arko, we have a partnership with Atlas Intel, and Atlas Intel is the polling company that, according to the website FiveThirtyEight from Nate Silver, it was ranked the first one in the United States after the two previous electoral campaigns, and also Atlas Intel got the correct results in the Chile constitutional elections, and the Argentinian elections. We have a daily tracking, and we can see a curve over the past days in which Lula is increasing his votes and Bolsonaro also increasing his voting intentions, although at a smaller speed than Lula is. And this basically is part of that campaign initiated by Lula of what he calls the “voto útil,” or the useful vote, in which many voters from Ciro Gomes or Simone Tebet are transferring their votes to Lula in order to assure that Lula could win in the first round.

And the latest information that I have in hand indicates a difference of – a margin of difference of seven points. And this is something that I have been seeing on the daily tracking over the past seven days – that the difference – the margin of difference from Lula to Bolsonaro is varied from six to eight points. Sometimes it's closer to six; sometimes closer to eight. As of this morning, it was seven points.

This puts Lula closer to win on the first round, but still it's a major question mark given the fact that we are not sure how the turnout will be, and the turnout tends to be more negative for Lula's voters than Bolsonaro's voters because many of the poor voters in some parts of the country, they often find difficulties in moving themselves and transferring to the voting stations.

If the Lula is able to secure a good turnout – and we see this trend going of the youthful vote increasing considerably until Sunday. There is a chance that this could be over in the first round. Naturally, Bolsonaro will challenge

the dispute, at least verbally. I don't see him necessarily doing it in a legal way, but this is always a possibility.

But we are going to see several of his voters reacting in a potentially aggressive way. I don't believe we're going to have major civil disorders in the country, but we are going to identify some pinpoint situations here and there, basically, of some sort – voters that are not happy with the results.

Having said that, I don't see Bolsonaro rejecting, leaving the government, especially because if he rejects to leave the presidency, that doesn't mean anything. Because the way that the electoral system is developed in Brazil is one that he can say as much as he wants that he doesn't want to leave because it's basically automatic, and I don't see Bolsonaro with enough parallel support of other institutions to actually transform this into a problem.

We are going to see some narratives, but I still believe that the transition will be much more smooth than many people believe. We all – there is also the possibility that Bolsonaro won't be there to give the – to make the transition to Lula. That could be – end up being made by the Vice President General Mourão. But still, I believe that if we have a victory of Lula in the first round or even in the second round, the transition will be relatively peaceful.

What is in Brazil the view of the markets and the view of the Brazilian businessmen in relation to both Lula and Bolsonaro? It seems to be more similar than the view of the Foreign Press in many times or even the foreign businessmen.

There are no profound fears of how Lula will run the country, especially in the area of the economy because Lula has already demonstrated in the past that he has a different approach to the economy rather than his party's approach to the economy.

It is very important for us to remember that in the first Lula administration the Workers' Party wanted very much to have full control of the economy, the Ministry of Finance, but Lula rejected that. And in exchange, the government allowed the president – President Lula by that time – allowed the Workers' Party to have much more influence in foreign affairs issues rather than the Ministry of Finance. And this is where we saw the emerging figures of Celso Amorim at the Ministry of Foreign Affairs and Marco Aurelio Garcia as special adviser to Lula.

He represented the party leftist view of foreign affairs while Lula tried to preserve a more pragmatic view at the Ministry of Finance. This is something that we could see again if Lula wins the elections in which the

behavior in foreign affairs will not necessarily be the same behavior as the government will have in the Ministry of Finance.

Of course, it will end up being more pragmatic than the party wants, but at least this time the party won't have as much strength as they had during the Lula administration and the Dilma administration.

There is a reason why the party won't be as strong now if Lula wins, is after the Car Wash scandal and everything, we saw some sort of general forgiveness towards Lula, mostly because of the high rejection towards Bolsonaro. But we don't see this same forgiving approach towards the party. So, although Lula has enough popularity – or enough branding to be elected and to succeed Bolsonaro, we are not going to see a large – a huge amount of congressmen elected by the Workers' Party as we saw in the past when Lula was elected.

So what we're going to end up seeing is Lula trying to form an administration with the same centrist parties that to date are allies of Bolsonaro. And for them there is no problem at all in switching sides. This is absolutely normal in Brazilian politics. But this is somehow an indication that Lula will be forced to be more pragmatic because of his basis of support inside the Congress.

And as I always like to say, the Brazilian Congress is much more powerful than the Brazilian executive. And I would even risk saying that in Latin America the most powerful parliament in Latin America is the Brazilian parliament; not necessarily the best one, but the most powerful in terms of the mechanisms that the Brazilian parliament has to control the budget and also in relation to the vetoes and overturning vetoes from the presidency.

So within that scenario, Lula, he will have – he will be forced by the conditions, by the situation, to have a more pragmatic approach. And when I mean pragmatic, it's still very different from the approach that was given by the Ministry of Finance of Bolsonaro, for example.

Although Paulo Guedes has a liberal approach in his own words, he believes strongly that the government and the state should not spend money on particular projects like infrastructure or logistics or investments in certain areas, but this is the role of the private sector. And he tried to create the mechanisms to attract the private sector to do so. He was somehow successful, as Lauri and Ryan, they mentioned about Brazilian economy doing relatively fine, given the circumstances. And this is in great part because of what Paulo Guedes did at the ministry.

Lula's approach would be one in which the state would come back as a major financier of several projects in infrastructure and in other areas of the

country. We would see Banco do Brasil and Caixa Economica Federal as major tools of the Brazilian government to offer lines of credit, particularly aimed at the lower end of the economic spectrum. And we would see much more a bigger usage of the machinery of the government in order to reach the population.

Having said that, we cannot be very adamant that this is a done deal. There is also the possibility that Bolsonaro could win, especially if it goes to the second round, because the strength and the aggressivity that we would see from Bolsonaro's campaign towards Lula's campaign is one that could have some sort of effect, given the volatility of the Brazilian voter.

Also we cannot be 100 percent holding on to the polls. But on the average we see that the polls, they give a good advantage to Lula. We haven't seen Bolsonaro leading or even near Lula in any of the polls over the past months.

Dr. Berg: Great. Thanks so much, Thiago.

I know that we've got some members of press on the call, so I want to open it up to Q&A at this point. And I also want to thank you, Thiago, for reminding us that on Sunday there's not just the marquee matchup, which is the presidential – first round of the presidential voting. But very importantly, there is a congressional – a set of congressional races out there for Brazil's Congress, which will ultimately form part of the panorama of what the incoming administration will have to face and deal with, come January 2023. And the Congress has quite a set of strictures on the Brazilian presidency.

So while all the attention is focused on the presidential race, of course, and the Lula-Bolsonaro matchup, there are a number of races taking place sort of below the radar which will have a profound impact on Brazilian politics, starting in January 2023.

So Paige, do you want to moderate the Q&A here and open the line to reporters' questions?

Ms. Montfort: Sure, yes. I'll actually turn it back over to our AT&T moderator to give everyone instructions on how to queue up and ask your questions.

Operator: One moment, please, for our first question. Speakers at this time, we have no one queuing up.

Ms. Montfort: I actually do have one question that came through to me. This is from Mariana Sanches at BBC Brazil. So will read this one out for her.

So she wants to know how much you expect the U.S.-Brazil relationship to change if Lula wins. Will they be closer, further apart? And what issue are

going to be a challenge in this new scenario? What kind of topics will there be involved in these tensions? And I'll turn it back over to any of the three of our experts to start.

Dr. Tähtinen: Ryan, you want to go ahead?

Dr. Berg: I'm happy to – sure, sure. I'm happy to give a couple issues, and then you all feel free to jump in. So it's a great question. And I think, as Thiago rightly said, what we saw in the first Bolsonaro – what we saw, sorry, in the first Lula presidency is a set of pragmatic policies on the economy and on the domestic level, and more ambition for Brazil and more of a PT influence on the – on the international scene. And things could become slightly more contentious of Lula wins, especially in the U.S.-Brazil bilats.

But we have to remember that under the Biden administration, relations with Brazil haven't exactly been warm and friendly, even though Bolsonaro is a very pro-U.S. president and tends to sort of emulate some of what is happening in the U.S. He has been kept, I would say, at a distance by the Biden administration. But with Lula, I think we've seen some comments on the campaign trail that could indicate some challenges with the U.S.-Brazil bilateral relationship on some of the issues that are quite important to the United States and the hemisphere.

And I'll just highlight one or two of them. Lauri mentioned China and some of the pro-CCP comments that Lula made on the – on the campaign trail. China's the number-one trade partner of Brazil. The U.S. has been strategizing for a while on how to cut into some of that influence and curtail it, especially in important sectors like telecoms, with Huawei's presence. But another area I would highlight is also democracy, and the issue with Venezuela, the issue with Nicaragua, the issue with Cuba.

Lula had comments on the campaign trail about the election of Daniel Ortega in Nicaragua, specifically after he arrested seven of the leading opposition figures who continue to be in jail in El Chipote. And Lula basically said on the campaign trail: Well Chancellor Merkel stayed in power for about 15 years in Germany, so why can't Ortega? Completely ignoring the fact that these are two very different systems, very different – completely different regime types at this point in time.

So some of these statements or some of these positions could ruffle feathers with the U.S., and with the U.S.-Brazil bilateral relationship in the future. I do have to say, though, that Brazil and the U.S. have an unprecedented number of bilateral channels to be able to do business. A lot of the relationship is already institutionalized and can work, therefore, under the hood, even if there isn't a good dynamic or chemistry between Biden and Lula as individuals.

There's the U.S.-Brazil Commercial Dialogue. There's the Energy Forum. The Critical Minerals Working Group. There's the U.S.-Brazil CEO Forum. There's the Defense Industry Dialogue. There is many more that I haven't named off the top of my head. But these things tend to keep the relationship going, even if there isn't chemistry at the top echelons of political leadership.

Dr. Tähtinen, Thiago, do you have something to add to that?

Dr. Tähtinen: Yeah, I'll jump in. I think that's – I agree with everything Ryan said there. And I think one – another thing to think about is Brazil, unlike Mexico but very much like the United States, is a country with also powerful governors. So one thing that for reporters, it's definitely interesting to highlight at least some of those races, because these are very big power players on the Brazilian political scene – another way in which these executives are very powerful and don't face some of the limitations that the federal executive in Brazil faces, as Thiago mentions.

So, that's something – but that could also be an avenue for increased U.S.-Brazil relations, having state-to-state relations below the federal level, where that could add to this mosaic of different kinds of relations between U.S. and Brazilian actors.

I would also – on this sort of, the basic questions of how relations might change, it's been, I think as Ryan said, the keeping distance to Bolsonaro has definitely been a feature of the Biden administration. It's easy to understand why. The fact that Bolsonaro did decide to undermine the legitimacy of the Biden government from the get-go, makes it very difficult for Biden to be seen in the same space with him, because that might be seen as lending legitimacy to Bolsonaro's attack on his presidency and on the electoral system of the United States.

So if Bolsonaro now won't be the president next, at least that very sort of basic and sort of fundamental challenge in the relationship should fade into the background.

Mr. Aragão: Well, I'm going to add the point here, is that the relationship between the two countries is very, very deep, and there's so many cooperation agreements and dialogues and talks happening, in all levels, independent of the relationship between the presidents.

The relationship between Fernando Henrique Cardoso and Bill Clinton was very close, but almost nothing came up substantial of this relationship when both were president. At the same time, Lula also had a very good relationship with George W. Bush, given the very different political

spectrums in which both occupied. And he didn't have that much of a good relationship with Obama, despite Obama saying that he was the guy.

So, the relationship varies a lot and on the tip of the – of the bilateral relationship, of course the presidential relations is important. But there are many things that make the two countries forced and obliged to keep side by side. The financial systems integration of both countries is extremely deep, and we can see this by observing how many American banks and how many American investment funds are consistently operating in Brazil, despite who the president is. And also in many other areas of agreements.

Naturally, because of the profile of Lula, he has a more friendly and ambiguous approach towards international leaders, in which he navigates with the leftists and center-right, or centrist presidents all over the world, while Bolsonaro, he is more of a domestic president that hasn't shown much interest in foreign – in international relations, also because he generated his own isolation in that – in that area.

So I think that the relationships, they will always keep functioning well. But the cherry on the top of the relationship between the two presidents, this is something that it's natural that we might have an improvement if Lula wins, in relation to Biden, because Bolsonaro, he – it's not part of his profile to engage dearly and deeply in those kinds of relations.

Operator: We'll open up the line of Dave Lawler with Axios. Please go ahead.

Dave Lawler: Thanks for doing the call. I have two questions, one kind of just tactical in terms of just on election night looking forward to covering this. Should we expect to know relatively quickly – I mean, obviously, if he – if Lula's right around 50 percent, maybe it'll take time. But should we expect to have either exit polls or estimates quite quickly?

And then on a more substantive point I'm wondering what you foresee in the scenario where Lula falls short of a first-round victory but still wins pretty convincingly in the first round and seems kind of smoothly on course for a coronation in the second round. I just wonder what that might change in terms of Bolsonaro, either his rhetoric or what we should watch for in that scenario because obviously, there was some expectation that he might pull some more stunts ahead of the first round and, in fact, he has. But I just wonder what might be in play if that is the scenario heading into the second round. Thanks.

Dr. Berg: Thanks so much, Dave, for the question.

I might put this over to Thiago.

Thiago, I know you have a hard stop and we're coming up on your hard stop. But if you want to give a response to Dave at Axios, and then I know you have to jump off the call after that.

Mr. Aragão:

David, I think that if the victory – if Lula's victory is convincing, and it appears to be so if we – if we follow the trend that has been demonstrated on the polls, and although I wouldn't disregard the chance on the first round, but I think it looks more clear on the second round. In the second round, we have 51 to 37, to 38, so according to the tracking. So this gives an ample advantage for Lula.

What will happen is that immediately we're going to see a slight change of behavior of the main leaderships of the centrist parties towards him. After the – we're going to have an emotional two weeks after the election in which Bolsonaro is going to talk a lot. There will be conspiracy theories on WhatsApp and in social medias about this and about that in a very similar style as we saw in the United States.

With those two weeks gone and over, we're going to see a slightly change of behavior from the centrist parties and this is where Brazilian politics differs deeply from American politics. Because of the bipartisan relationship situation in the U.S., you won't see – we never see a change of posture from Republicans or from Democrats towards the other. But in Brazil, because the majority of the parties are the centrist parties and that's where the major strength of the parliament comes from, we see a slight change from their major leaderships. There are already information circulating that some ministers of Bolsonaro are already sending some messages to certain businessmen, to members of the Workers' Party, to say: Hey, we never hated Lula. We are fine to have Lula. We're not the enemy. Kind of already preparing environments for them.

Apart from that, there is not much that Bolsonaro can do. We won't see anything coming up from the armed forces. The military will just stay put, and this – I'm very confident. I'm constantly and almost in a daily basis talking with them and there is no intention whatsoever to do anything out of the ordinary despite some cries that we're going to hear from some of Bolsonaro's voters.

And the transition tends to be very normal, tends to be very peaceful, and Bolsonaro will just – he might have some legal attempts in the supreme court to challenge some things related to the election. But this will not prosper and will not go forward.

But after – when we start the beginning of the year the challenge on Lula will be very high because he will not maintain this – the amount of votes that he

will get will not represent the popularity that he will have in the beginning of his administration.

He is likely to begin with a popularity equal or less than the votes that he will make and this will force him into a more pragmatic approach, particularly in his relationship with congress, and this is where we're going to have a slightly question mark of how his administration would begin and how his relationship with congress would begin, and, naturally, we will see him trying to downplay some of the most controversial ideas that he has in hand.

Dr. Berg: Thanks, Thiago. That was excellent.

Lauri, you want to answer the question about election returns, what we might be able to expect on the night of?

Dr. Tähtinen: Yeah, I mean, usually this has been a matter of hours in Brazil. The electronic voting system is something that Bolsonaro and his supporters have been – (laughs) – sort of rallying against, but in all likelihood we'll have a very clear picture unless we're talking about 50.1 and 49.9 (percent) sometime on Sunday evening here. I'm speaking out of Washington, D.C. So as Ryan actually mentioned, I mean, the Brazilian system technically is in some ways a model for the hemisphere, and there simply won't be opportunities for derailing it, unlike in some other jurisdictions in the hemisphere.

Dr. Berg: Great. Thanks, Lauri.

I will just emphasize that the same electoral system that the Bolsonaro crowd is now questioning and haranguing is the one that gave him victory in 2018 by about 10 million votes over his PT rival Fernando Haddad without a single credible claim of fraud in the country. And so we have a good track record in Brazil of elections that are seen from the outside and from the inside as legitimate, and voting systems that are pretty darn accurate in terms of the counts – and efficient as well.

So I know that we're basically beyond time. I just – I want to put a fine point on something that Thiago said, which is even if we get a Lula victory, we're not out of the woods in terms of the the long political crisis in Brazil and the ability to govern the country, the ability to get it back onto a path of sustainable economic growth, the ability to address climate change and issues of deforestation in the Amazon. And I just want to leave folks with one sort of salient figure that I think is going to be a major challenge for Lula moving forward, and that is the campaign has featured a lot of nostalgia for what the Lula years were in Brazil, and they were boom years in Brazil. Millions of people pulled out of poverty on the backs of a commodity boom. They were halcyon years that Brazil remembers fondly.

But also it's important to remember the following point: The average Brazilian was only 22 years old when Lula left office in 2010, which means, working backwards, that the average Brazilian was just a teenager when Brazil was living some of its best years in this century. And so from a governance standpoint, I think it's going to be pretty darn difficult for Lula to recapture some of that spirit in his second go-round, if he does emerge victorious, either in the first round of voting or in the runoff, when it comes to the ability to govern Brazil and sort of get it on a path that many would see as a better path to what it's on now.

So with that, I'll turn it over to Paige to close us out.

Ms. Montfort: Thank you so much, Ryan. And thank you to each of our experts for joining us today, sharing your insights and analysis. As a reminder, I will be sending the transcript of this call out to everyone who RSVPed, and it will also be posted to our website. So have a great day and rest of your week, everyone, and thanks again for joining us.