Rio 2016

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When Jacques Rogge stood before a gathering of the International Olympic Committee in Copenhagen on October 2, 2009, and pulled Rio de Janeiro’s name from an envelope, declaring it the host of the 2016 Summer Games, the Brazilian delegation exploded into celebration. President Luiz Inácio Lula da Silva, the country’s first working-class president, cracked under the emotional strain and cried, declaring, “the world has recognized that the time has come for Brazil.”

On Copacabana Beach, a crowd decked in yellow and green leapt in celebration. Their enthusiasm was fueled by much more than the chance to host the Olympics. Brazil was experiencing a unique moment in its history: its economy was strong, fed on Chinese demand for its export commodities—soybeans, iron ore, sugar, beef, and coffee. Foreign direct investment in Brazil had reached record levels. Under the aegis of the Workers Party, or PT in its Portuguese acronym, millions of Brazilians emerged from poverty and began buying everything from stoves to cars to dinners out, stoking domestic consumption and fueling further growth. Discovery of oil just beyond Rio de Janeiro’s coast prompted Lula to joke, “God is Brazilian.” The petroleum bounty and the political alignment of Rio’s mayor, Eduardo Paes; Rio state’s governor, Sérgio Cabral; and the president augured well for Rio de
Janeiro, a once-grand national capital fallen on hard times. Finally, there was enough money and political will to tackle the persistent inequality and underdevelopment that defined Brazil.

The Rio Olympics would be the window through which the world would see this bright, new Brazil in which they staked their own futures. For Paes, Cabral, and Lula, the Games would provide a showcase for their handiwork: a Rio de Janeiro refashioned by the preparations for the 2016 Games and an economy forged under PT rule that was on its way to becoming the sixth largest in the world.

Seven years later, when the world turned to Rio de Janeiro for the opening of the 2016 Olympic Games, the state of Rio de Janeiro was broke, and Brazil was gutted by scandals and misrule. Police had hauled Lula in for questioning in connection to a wide-ranging corruption scandal; his handpicked successor Dilma Rousseff was facing impeachment; the interim president was booed in the opening ceremony, as Rousseff herself had been at the opening match of the 2014 World Cup. The national economy shrank for the second year in a row.

To many citizens, the Games that were supposed to signal Brazil’s arrival on the world stage had become a symbol of their government’s misplaced priorities, wasted opportunities, and graft: two weeks before the start of the opening ceremony one in two Brazilians were against hosting the Olympics, and two out of three believed that hosting would do more harm than good. This chapter will examine this reversal of fortune and how preparations for the 2014 World Cup and the Olympics, once a key part of a narrative of urban renewal in Rio and of Brazil’s rise to political and economic prominence, became enmeshed in, a catalyst for, and ultimately a symbol of the corruption plaguing Brazil.

THE COUNTRY OF THE FUTURE, AGAIN

For decades, Brazilians weathered their country’s political and economic crises by offering up an old punch line: “Brazil is the country of the future—and it always will be.” This inability to live up to its potential had held true during the country’s 1964–85 military dictatorship. During those years, rapid growth (dubbed “the Brazilian
economic miracle”) and investment in high-profile projects, such as hydropower dams, nuclear energy plants, and highways, had come at the price of political repression and fiscal imbalance, ultimately leaving the country mired in the hyperinflation, unemployment, and recession of the 1980s and 1990s.

When Lula ran for president in 2002—his fourth attempt—the country was still in recovery. The possibility of his victory and the fear that Brazilian economic policy would make a hard left under a PT administration rattled the markets and scared investors. Moody’s cut its outlook on Brazilian government debt to negative and Fitch downgraded its ratings. The Brazilian real plummeted from two to nearly four to the dollar. Foreign investment shriveled along with lines of credit. Nevertheless, Lula won, a remarkable achievement built on a long fight for democracy and for the political relevance of Brazil’s working class that had led the New York Times to call him “the Brazilian equivalent of Lech Walesa” in 1981.\(^5\)

Soon after his win, Lula set about reassuring the Brazilian business class and international investors, imposing a stringent fiscal orthodoxy that earned him the praise of IMF and World Bank officials even as it shocked many of his supporters.\(^6\) The trepidation soon turned to euphoria, on the right and on the left, within Brazil and beyond. Fueled by high commodity prices, the country sailed through years of political stability and growth. At home, Lula won the loyalty of millions who benefited from the economic good news and from specific income distribution policies that helped shrink inequality, broaden the middle class, and strengthen the citizenship rights of the poor.\(^7\) Abroad, he promoted Brazil as a profitable place to invest, a growing geopolitical power, and a flourishing democracy where a steel worker could rise from the factory floor to become president.

Two years into Lula’s first term investigators revealed a campaign slush fund and a cash-for-congressional-votes scheme involving the Workers Party.\(^8\) This rocked his credibility, but Brazilians, inured to the venality of their legislators, let their desire for more growth and stability sweep aside their concerns.\(^9\) In 2006 Lula was reelected for a second term by a landslide.\(^10\) His broad appeal, which went over as well in world summits as in Rio’s favelas, and his ability to weather accusations that could have brought down a lesser political operator were made clear in

During this second term (2006–10), Lula presided over a country that seemed to be finally fulfilling its geopolitical and economic potential. Despite the advances of his first administration, much remained to be done. Education and health services were chronically underfunded; an aging infrastructure and a convoluted tax code increased the cost of doing business in the country. But Lula’s reelection seemed to indicate that there would be time, political will, and funds to work on those problems, too. Even as the United States’ economy tanked, brought down by the subprime mortgage and financial derivative debacle, Brazil’s had hiccupped in 2009 but continued to grow, winning three coveted investment-grade ratings. On the strength of this growth and the certainty of its continuation, Lula pushed for greater political clout for Brazil by strengthening alliances with other BRIC countries—Russia, India, and China—raising the profile of the G20, and seeking a permanent seat at the United Nation’s Security Council. The Economist captured the optimism of the time in a November 2009 cover that showed Rio’s Christ the Redeemer statue rocketing into space under the headline “Brazil Takes Off.”

By the time Lula went to Copenhagen in October 2009 to pitch Rio de Janeiro’s Olympic bid against Chicago, Madrid, and Tokyo, he was one of the world’s most popular leaders. He was also nearing the end of his second mandate, driven by the desire to cement his domestic legacy and ensure the country’s rise to a higher geopolitical echelon. Brazil had already secured the 2014 World Cup. Rio’s Olympic candidacy was an extension of this bid for greater visibility and international legitimacy. The International Olympic Committee had played this role before: the 1988 Games helped brand Korea and its industrial power; the 2008 Games served to recognize China’s growing international clout. Lula sought the IOC’s vote as an indication that his forever-emerging nation had finally arrived.

In his impassioned speech to the IOC, Lula implied that denying Brazil the 2016 Games would perpetuate a historical injustice and deny a new world order. As a self-styled representative of the Global
South, he framed Rio’s candidacy as Brazil’s and South America’s, assuming the mandate to correct geopolitical power imbalances and give greater prominence to the developing world as a whole:

It’s our time. Among the 10 largest economies in the world Brazil is the only country that has not hosted the Olympic and Paralympic Games. Among the countries that now seek the indication we are the only one not to have had the honor. For the others, it would be just another Olympics. For us, it would be an opportunity without equal, increasing Brazilians’ self-esteem, consolidating recent achievements, and inspiring new progress. The bid is not only our candidature, it is also that of South America, a continent with almost 400 million men and women and about 180 million young people which has never hosted the Olympic Games. It’s time to fix this imbalance.

My friends, Brazil is living through an excellent time. We have worked hard in the last decades. We have a thriving economy, which smoothly confronts the crisis that plagues many nations. . . . Rio’s candidature to the Olympic family takes into account this new scenario in which our country has found its place.13

**BRAZIL’S CONSTRUCTION-INDUSTRIAL COMPLEX**

When Lula spoke of the opportunities and the progress that would be inspired by the Olympics, he was likely thinking not only of Brazil’s soft power. One of the tangible results of hosting the Olympics would be the construction of new infrastructure. Rio’s bid for the 2016 Games was the most costly of the four candidates in 2009, with an initial budget of $11.1 billion for capital investments.14 It was also the most geographically diffuse, requiring the greatest number of new venues and urban interventions, including extensive and expensive transportation arteries. The Rio 2016 bid committee spent a reported R$100 million on the candidature alone.

The IOC was well aware of the costs and problems of Rio 2016 but found reassurance in Brazil’s robust economic health. In the month
preceding the IOC vote, the organization released its “Report of the 2016 IOC Evaluation Commission,” with assessments of each candidate’s plans for hosting the Games. In Rio’s Sport and Venues section, the report states that of the thirty-three venues proposed, only ten were in place. Under Transport, it said, “infrastructure development scheduled for completion by 2016 is extensive.” However, the IOC reported no cause for concern, pointing to the political and economic context: “All planned projects and related investments are fully guaranteed, with funding provided by the three levels of government.” In the Finance section’s conclusion, the Commission said it was “confident that the growing Brazilian economy would be able to support the necessary infrastructure development needed for the delivery of the 2016 Games.”

Indeed, with China’s seemingly insatiable demand for Brazil’s raw materials and high commodity prices bringing in a steady increase in revenue (exports went from $118 billion in 2005 to $256 billion in 2011, when they accounted for 14 percent of GDP),16 Lula’s administration had already embarked on a construction spree reminiscent of the extravagant building that took place during the military regime’s “economic miracle.”17 His administration was pursuing monumental projects much like those engineered under the dictatorship. These included a controversial string of megadams in the Amazon region, even a number of ventures that had been first proposed during the military years, such as transposing the bed of a northeastern river, the São Francisco; erecting a new thermonuclear plant; and paving the Transamazônica, a highway that traverses Brazil from east to west, cutting right through the Amazon forest.19 Many of these works fell under the rubric of the PAC, the Programa de Aceleração de Crescimento, or Growth Acceleration Program, launched in 2007 to “increase private investment and public investment in infrastructure,” thereby “clearing the logjams that impede investment,” in the words of then Finance Minister Guido Mantega.20 The initial phase of the PAC projected R$503.9 billion in investment.21 It mushroomed over the following nine years to encompass a budget of R$1.9 trillion by 2015.22

Petrobras, the state-controlled oil company, was leading its own ambitious infrastructure development plan to explore the deep offshore oil fields discovered in 2007. This made the company a prime
source of hefty government contracts. In 2010, it raised $69.97 billion in the largest share offering to date, making it even more flush with cash. The event had heavy political overtones. It took place one week ahead of the 2010 presidential elections in which Dilma Rousseff, Lula’s chief of staff and the chair of Petrobras’s board from 2003–10, would be elected president. Lula himself presided over a ceremony that marked the offering in an unmistakable reminder of the federal government’s increasing control over the oil giant.²³

The plan was that, among Petrobras’s investments, the PAC projects, the World Cup, and the Olympics, Brazil would create jobs for its workers and the infrastructure it needed to catch up with the developed world.²⁴ The companies that landed these handsome contracts, paired with low-interest government loans extended through Brazil’s development bank, the BNDES, and tax privileges would also fare very well. Lula once remarked that Gen. Ernesto Beckmann Geisel, who led the dictatorship from 1974 to 1979, was “the president who commanded the last great period of development in the country.”²⁵ Even as it followed a similar developmentalist approach as the military regime, his administration also worked with the same companies that had developed a symbiotic relationship with the state during those years, under similarly profitable conditions.

For Brazil’s military regime had not only invested heavily in public works but had centralized much of its investment in the hands of increasingly large, powerful construction giants, chief among them Odebrecht, Andrade Gutierrez, and Camargo Corrêa. Together with Mendes Júnior and Cetenco, these firms went from earning one-third (31.2 percent) of the total netted by Brazil’s one hundred biggest construction firms in 1978 to earning more than half (56.9 percent) of that total in 1984.²⁶ Despite shifts within the governing bloc, the construction companies

were part in various ways and to various degrees of the ruling groups (and) were able to fully develop their modes of organizations throughout the regime, such that, together with the limitation imposed on popular participation, the influence of these businessmen on the machinery of the state and on state policies grew. . . . These construction magnates obtained highly
favorable policies throughout the regime, allowing them to reach the end of the dictatorship even more powerful than before 1964.27

When Brazil transitioned to democracy these construction giants were primed to take advantage of the privatization of public companies and services that took place. In the 1990s they entered essential areas like road maintenance and tolls, water and basic sanitation, telecommunications, administration of landfills, and other urban services.28 Brazil might have gone through a regime change, but much as during the dictatorship, the “public policies of the period allowed not only the continuity and survival of these companies, but also a new cycle of high revenue rates which capitalized and reinforced these groups, taking them to a higher level, no longer as economic conglomerates at a national level or as international construction companies, but as conglomerates with global projection.”29

These were the powerful entities Lula found in place when he was elected—with minor reshuffling, such as the rise of OAS, a company founded in Bahia by the son-in-law of the powerful northeastern kingmaker Antonio Carlos Magalhães. Political patronage helped OAS rise rapidly in the ranks of national companies, first on the strength of contracts in Bahia, then by winning contracts in regions governed by Magalhães’s political allies.30 By 1984, it was the tenth largest in Brazil. By the time Lula’s PAC program was launched in 2007, OAS, Odebrecht, Andrade Gutierrez, Camargo Corrêa, and Queiroz Galvão were the powerful core of Brazil’s construction-industrial complex, though by then they had international interests in areas ranging from telecommunications to fashion, arms manufacture to agribusiness.

During Lula’s two terms in office and into the first term of Dilma Rousseff (dubbed the “mother of the PAC” by Lula),31 these companies dominated the national construction scene and reaped massive profits from public works. OAS, Odebrecht, Andrade Gutierrez, and Camargo Corrêa alone concentrated 38 percent of the revenue of Brazil’s fifty largest construction firms in 2009. Another way of understanding this relationship is to look at these companies’ dependence on public contracts during that same year. In 2009, municipal, state,
federal, and state-controlled companies like Petrobras formed 62 percent of Odebrecht’s revenues, 35 percent of Camargo Corrêa’s, 72 percent of Andrade Gutierrez’s, and 100 percent of Queiroz Galvão’s.32

These same conglomerates also benefited during this period from billions of reais in cheap loans from Brazil’s development bank, the BNDES, for projects within Brazil and abroad.33 The bank’s assets grew fourfold between 2007 and 2014, when its disbursement was estimated at R$190 billion, on par with the output of neighboring Uruguay. It is a lender to tycoons—60 percent of its loans go to large conglomerates—but its rates are subsidized by the taxpayer.34

Securing the 2014 World Cup (which included twelve host cities, requiring twelve new or refurbished stadia and attending infrastructure) and the 2016 Olympics allowed the Brazilian government to embark on a new wave of bidding and building public works. Contracts flowed into the same waiting hands. This was particularly evident in Rio de Janeiro, where the biggest four firms—Odebrecht, Andrade Gutierrez, Camargo Corrêa, and OAS, known as the “four sisters,” controlled directly or through subsidiaries all of the twenty largest undertakings. This included the new bus rapid transit routes promised as part of the Olympic or World Cup legacy (Transolímpica, Transcarioca), the new light rail system (VLT) by the port, the refurbishment of the port itself, as well as the construction of specific megaevent infrastructure like the Olympic Park and the renovation of Engenhão and Maracanã stadiums35—the latter at a cost of over R$1 billion, less than six years after its last, costly improvement for the 2007 Pan American Games.

The relationship between the government and Brazil’s powerful construction sector, consolidated during the military years, had been nurtured throughout the subsequent administrations and into the PT era with, on the one hand, political donations from the companies and, on the other, a steady flow of contracts arising from state-controlled companies like Petrobras, the PAC programs, and the megaevent construction, as well as with BNDES loans. This governmental largesse fed back into the political parties whose elected officials handed out the contracts. In 2014 alone, the campaign contributions from Andrade Gutierrez to various parties amounted to R$83 million; OAS, R$69
million; and Queiroz Galvão, R$56 million. Looking at this relationship from the PT’s perspective, that year the party received R$132 million from companies that would eventually be charged in the Lava Jato (Car Wash) corruption probe. These contributions resulted in specific returns: a study found that public works firms could expect a boost in contracts that was at least fourteen times the value of their donation when they gave to a legislative candidate from the PT and that candidate won.

THE BEGINNING OF THE END

By the time Rousseff took office on January 1, 2011, the years of growth that had propelled Brazil’s global ambitions had slowed. The 7.5 percent GDP expansion in 2010, which crowned Lula’s last year in office and helped secure his nearly 90 percent approval rating at the time, rested on the commodity boom and on domestic consumption but also on loose spending and tax breaks; it left a fiscal mess and a spike in inflation for Rousseff to face. She responded much as Lula had at the beginning of his first term, with a fiscal tightening that earned her the approval of the financial press. The economy contracted, however, first to more sustainable levels of growth (2.7 percent in 2011) then into a worrisome slump (1 percent in 2012). Her administration reacted by changing course again, lowering interest rates, reducing the cost of energy, and cutting taxes. But the economy did not respond. Commodity prices, known to be volatile, sank, and China’s demand for Brazil’s offerings had stabilized and would begin to contract; Brazil’s economy, grown dependent on this influx, would follow along the path into a gripping recession.

Expectations among Brazilians, especially among those who made up the new middle class, were higher than ever: they paid the highest taxes among any country outside the developed world (36 percent of GDP) and wanted public services to match. Not only that, they wanted government that was transparent, accountable, and responsive to their needs and priorities; Brazil’s middle class was making conventional middle-class demands. In June 2013, their growing dissatisfaction exploded into massive demonstrations that drew hundreds of
thousands to the streets across Brazil and took everyone by surprise—even, or perhaps particularly, the Workers Party, which had once achieved prominence through such popular demonstrations. The swell of anger had experts scrambling for explanations, but a look at the placards the protesters carried showed a broad set of concerns over public services like health care, transportation, education, and governance.

These protests revealed a widening of fault lines that ran through the administration. Writing in *Critical Sociology*, A. Saad-Filho offered this interpretation: “First, [they are] symptoms of a social malaise associated with the contradictions of left-wing policy-making under neoliberalism. Second, they illuminate the limitations arising from the achievements of these administrations, including higher expectations of economic performance and public service provisions. Third, they reveal the atrophy of traditional forms of social representations . . . which have been unable to channel discontent and resolve disputes between social groups.”

The immense sums being poured into controversial construction projects such as megaevent-related infrastructure of dubious utility underscored the dissonance between government spending and the population’s priorities. As the Confederations’ Cup—a dress rehearsal for the World Cup—started in June 2013, the triumphalist stadiums cast as sites of Brazil’s consecration into a global elite via the hosting of prestigious international sporting events became lightning rods and symbols of this dissatisfaction. The world watched as fans pushed through clouds of tear gas to enter venues and police clashed violently with protesters. A typical protest banner called for “FIFA-quality health care and education.”

With the population focused on the largest protests in a generation and puzzled by Rousseff’s delayed reaction (she did not address Brazilians directly until June 21, after weeks of turbulence; her popularity plummeted to 31 percent by July of 2013), few paid much attention to a federal investigation into a money-laundering scheme that had operated through a fueling station in Brasília. A wiretap generated enough information for Sérgio Moro, the judge behind the sting operation, to call for the arrest of a black-market currency dealer with a long record, Alberto Youssef. Youssef, facing indefinite
preventive imprisonment and encouraged by laws that rewarded plea bargaining, started to talk.

The tale Youssef spun would reveal a vast corruption scheme in which he, as a money launderer and cash smuggler, played a key role. It centered on Petrobras, whose capitalization and growing array of activities had transformed it into the fourth most valuable company in the world, with operations that amounted to 10 percent of Brazil’s GDP and made it a source of contracts worth billions. Youssef described a system by which, between 2006 and 2014, key company executives installed in their posts by political parties worked with a cartel involving sixteen of the country’s largest construction companies—among them Odebrecht, Camargo Corrêa, OAS, Queiroz Galvão, and Andrade Gutierrez—to rig bids for public contracts, fixing the results and overinvoicing. The rules were written up in a two-and-a-half-page encoded guide that described contract bidding as a sports championship, with leagues and teams. The goal was to funnel cash back into the pockets of all participants: politicians, Petrobras executives, construction magnates, and operators such as Youssef himself. Over the next two years, this investigation would reveal a graft scheme that went far beyond the oil company and permeated Brazil’s construction-industrial complex.

The case broke publicly in 2014, when Rousseff was campaigning for her second term and Brazil was preparing for the World Cup. The country was tense, erupting into protests and strikes in the months leading up to the championship. Lava Jato, or Car Wash, as the case became known, played out like a soap opera on the nightly news, with new plea bargaining deals dredging up more names and more arrests, leading to more plea bargaining deals, in a cycle that brought down Brazil’s powerful like dominoes. The principal political parties involved were the Partido do Movimento Democrático Brasileiro (PMDB), long the éminence grise of Brazilian politics and the party of then Vice President Michel Temer, Rio’s Mayor Paes, and Rio’s Governor Cabral; the Partido Progressista (PP), a conservative party whose roots, like the PMDB’s, stretched back to the military years; and the PT. Brazilians expected little of the first two, ideologically amorphous and clientelistic creatures of the country’s venal political culture. The Workers Party faced the brunt of popular reaction because it was the governing party but principally because it was
supposed to be different. It had a coherent ideology, popular support, and moral underpinnings that other political organizations largely lacked.

Rousseff campaigned through it all, promising to maintain the social gains made under the previous three PT administrations and to prioritize the needs of working Brazilians. Protests dimmed as the World Cup started in earnest, turning the focus of soccer fans—which includes most Brazilians—to matches and street parties and leaving Brazil with a good reputation as host. Despite Lava Jato’s aspersions on the PT and PMDB, Brazilians gave Rousseff a new term in office (albeit by a very narrow margin: 51.4 percent of the vote to her challenger’s 48.5 percent). With inflation ticking up and a wobbly economy, the population, especially the poorest, was increasingly concerned about maintaining the gains achieved. Rousseff represented continuity.

More of the same was no longer possible, however; by the end of Rousseff’s first term in 2014, the long wave of high commodity prices that had buoyed the country through the previous three administrations had broken. Raw materials made up more than half the value of all of Brazil’s exports, but the prices were spiraling downward: iron ore went from $180 to $55 a ton, soy beans from $18 to $8 a bushel, and crude oil from $140 to $50 a barrel. Even before transitioning into her second term, Rousseff reversed her stance, cutting social spending, curtailing credit, and raising taxes. Within three months, hundreds of thousands of Brazilians took to the streets demanding her ouster in a wave of protests that would escalate throughout the year.

By the opening of the 2016 Olympic Games, Rousseff had been forced from the presidency pending an impeachment trial on charges that her administration improperly used money from state banks to obscure the size of the country’s budget gap. She did not attend the opening ceremony. Neither did Lula, whose emotional appeal had been key to securing the IOC’s vote for Rio. The acting president, Temer, was roundly booed. By then, the Lava Jato investigation and the series of political dramas it unleashed had thoroughly discredited Brazil’s political and business class and had led to the arrest of more than 150 of the country’s top executives and elected officials. The list included the heads of Odebrecht, Andrade Gutierrez, OAS, Queiroz Galvão, and Camargo Corrêa.
Among the more than fifty politicians investigated were the PT’s senate leader, Delcídio do Amaral; the former head of Congress, Eduardo Cunha of the PMDB; and the president of the senate, Renan Calheiros, also of the PMDB. This turmoil diverted the attention of legislators and further hamstrung the economy. During 2015–16, Brazil had its credit ratings cut to junk and faced escalating debt levels as it sank into the deepest downturn in a century. Petrobras wrote off $17 billion in losses from graft and overvalued assets in 2015, with alleged bribe payments alone amounting to $2.1 billion. Brazilians suffered as unemployment shot up to 11 percent and average earnings declined. The state of Rio was broke, missing debt payments, and forced to shutter hospitals and delay salaries of teachers, nurses, firefighters, police officers, and public servants in general.

What was supposed to be Brazil’s crowning moment became a representation of what ailed it: the Olympic ceremonies were scaled back due to the economic crisis and no political leader in government or the opposition had enough credibility to step out in public without jeers from the population. In the months following the Games, Rousseff was impeached; Lula was charged in several corruption cases connected to Lava Jato or the companies involved, such as OAS and Odebrecht; a state court froze the personal assets of Rio mayor Paes as it investigated improprieties during the building of the Olympic golf course; and former Rio governor Cabral (and his wife) were arrested on suspicion of taking bribes from construction companies in exchange for publicly-funded infrastructure contracts, including the renovation of the Maracanã Stadium.

The venues and infrastructure associated with the World Cup and the Olympics, which were supposed to showcase the country’s capacity, modernity, and ambitions, became the embodiment of the most clichéd of Brazilian vices: corruption. Construction companies, including Odebrecht, Queiroz Galvão, OAS, Camargo Corrêa, and Andrade Gutierrez, colluded to defraud the bidding process and overcharge taxpayers in as many as eight of the twelve World Cup stadia that were built or refurbished, according to Brazil’s antitrust agency Conselho Administrativo de Defesa Econômica (CADE). The agency has used acordos de leniência, a type of plea bargaining available to companies, to uncover evidence pointing to similar cartels behind the bidding for PAC projects like the Belo Monte Dam, the thermo-
nuclear plant Angra 3, and the north-south and east-west railroad projects.

At the time of this writing, in December 2016, CADE had thirty ongoing investigations into cartel practices involving the companies at the center of Lava Jato, and federal prosecutors were looking into evidence of corruption in all Olympic venues and services that used federal funds. This includes projects conducted by Odebrecht—which got half of Olympic contracts (by value)—OAS, and Queiroz Galvão. Even the PAC project intended to improve infrastructure in Rio’s favelas was fair game for this gang of businessmen grown fat at the trough of public funding.

The declared revenue of Brazil’s top construction companies tripled from R$15 billion in 2004 to R$44.4 billion in 2013, according to the Câmara Brasileira de Construção Civil, the Brazilian Chamber of Civil Construction.

CONCLUSION

The economic growth that propelled Brazil into greater international prominence rested on a China-driven commodity boom, domestic consumption, and the promise of oil discovered off the coast of Rio. This bonanza and the promise of its continuation were used to achieve laudable social progress under the Workers Party. Brazil, a country marred by a deep race and class divide and an inequality gap that is among the world’s widest, made steps toward remedying these disparities. The Bolsa Família program in particular helped lift twenty-five million people out of poverty. This windfall was also harnessed to fund immense investments in infrastructure, from roads to ports to dams. The promise was that these developments would catapult Brazil into a place among developed nations. Brazil’s hosting of mega sporting events, culminating with the Olympic Games of 2016, was widely portrayed as a recognition of these achievements. Lula, who managed at once to be the country’s first working-class president and a friend of business, was the charismatic embodiment of this progress and of an even brighter future.

When the price and demand for Brazil’s raw materials plunged, the nation’s increased dependence on commodities exporting left its
economy teetering. Domestic consumption shriveled as inflation reared its head, unemployment rocketed, and credit tightened. Oil production, central to Brazil’s strategy, did not come through: worldwide prices plummeted, making the expensive deep offshore oil reserves less appealing, even as Petrobras crumpled under the weight of the Lava Jato investigation.

The years of growth had fostered multiple opportunities for tendering generous bids for public works: through Petrobras, through the PAC projects, and through the construction of megaevent venues and infrastructure. Many of these contracts went to powerful construction companies that had developed strong, long-lasting, and profitable relationships with the state over decades.

As investigations revealed (and are still uncovering at the time of this writing), most of the construction contracts were not legitimate. The bidding system was often rigged through bribery and cartelization by a select group of companies in collaboration with elected officials. In several instances, the projects themselves were ill-conceived, irresponsible allocation of resources that came at tremendous cost for the country. Many of them were never finished and stand abandoned. The cost of this graft and waste and of the political and economic instability generated by the revelation of these schemes is hard to calculate. Now that Brazil’s games are over, the venues that were intended to symbolize the country’s inexorable rise stand as empty reminders of the profligacy and corruption that foiled its dreams and continue to hamper its growth.

NOTES


13. Luiz Inácio Lula da Silva, “Rio 2016: Lula’s Speech (English subtitled) and Olympic Bid Video” (speech to the International Olympic Committee), Copenhagen, 2009 (www.youtube.com/watch?v=R3rO8xHxMs).


27. Ibid.
28. Ibid., p. 132.
29. Ibid.
30. Ibid., p. 104.


53. Anderson, “Crisis in Brazil.”
54. Ibid.


73. Lyons and Kiernan, “How Brazil’s China-Driven Commodities Boom Went Bust”; Kingstone, “Brazil’s Reliance on Commodity Exports.”

74. “Faturamento de Empreiteiras.”
