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Lobbying to Reduce the ‘Brazil Cost’: The Political Strategies of Brazilian Entrepreneurs

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This chapter examines the political strategies adopted by industrial entrepreneurs in their campaign for reducing the so-called ‘Brazil cost’ (*custo Brasil*) – which refers to factors and conditions that are perceived as hindering competitiveness – and the outcomes achieved through this campaign. It covers a period of 12 years that embraces President Cardoso’s two terms in office (1995–2002) and President Lula’s first term (2003–6).

The chapter is divided into three sections. The first presents how the reduction of the Brazil cost became a ‘flag’ under which members of the business community congregated. Two factors are of importance here. One is of an economic nature – the process of organization and mobilization against the Brazil cost was unleashed by the processes of market liberalization carried out during the 1990s (starting with Collor in 1990, and sustained by Franco and Cardoso), and reinforced by the prospect of even greater opening, via hemispheric integration through the Free Trade Area of the Americas (FTAA). In this scenario, the challenge of international competition elevated *competitiveness* to the level of a top-priority goal to be pursued by Brazilian companies. However, this economic factor should be considered a necessary, albeit not sufficient, cause of the campaign for reducing the Brazil cost. It is also necessary to emphasize the intentional political action that paved the way for the campaign. Therefore, the second factor is of a political nature. The Confederação Nacional da Indústria (CNI/National Confederation of Industry) played an important role of ‘political entrepreneurship’ in the organization and mobilization of the business community. The CNI is the peak association of the corporatist system of representation of industrial interests in Brazil. Located at the apex of this system, and backed by a stable source of financial resources, the CNI was able to act as a ‘political entrepreneur’, internalizing the costs involved in organizing the movement for reducing the Brazil cost. This initiative had the direct effect of reducing the costs that other business organizations would incur to take part in collective action. The reduction in participation costs made the involvement option much more attractive to those entities.

The second section presents how these organized business interests attempt to shape the policy process related to the Brazil cost through lobbying. Industrial entrepreneurs have been working together since the mid-1990s to identify, keep track of and promote their demands on legislative proposals – the approval, rejection or alteration of which have a direct impact on the Brazil cost. These demands are communicated in the *Agenda Legislativa da Indústria* (*Legislative Agenda of Industry*, hereafter referred to as *Legislative Agenda*), an annual publication prepared by a network of dozens of industrial associations, and organized and published by the CNI. In order to promote the demands that they have announced, entrepreneurs and their associations – both from the corporatist and extra-corporatist systems – perform lobbying activities throughout the various stages of each proposal's legislative cycle. This kind of ad hoc political action, intended to exercise pressure along several independent decision-making processes, was once seen as typical of pluralist systems, but is becoming more and more common in Brazil, where corporatist associations (unions, federations and confederations) still form the largest part of the system of representation of business interests. This development is of great interest, particularly given the complete absence of any regulation of lobbying activities in Brazil.

The third section measures the degree of political success that industrial entrepreneurs have achieved under the Cardoso and Lula governments, regarding 'Brazil cost'-related proposals formulated either by the executive or legislative branches. I develop a method which compares business demands and results of congressional decisions. The method allows the classification of business political successes into two categories: gain (when a business-supported proposal becomes a norm and effectively reduces the Brazil cost) and relief (when a proposal opposed by business is rejected, withdrawn, or shelved, thus avoiding the rise of the Brazil cost). The method also allows the classification of business/political failures into two categories: loss (when a proposal opposed by business becomes a norm and effectively raises the Brazil cost) and frustration (when a business-supported proposal is rejected, withdrawn or shelved, thus avoiding the reduction of the Brazil cost). In general, the results show that industrial entrepreneurs operating in Brazil have achieved a high degree of political success.

Economic and political underpinnings of collective action

The 1990s brought a profound change in the environment in which the business community operated in Brazil. The fundamental cause of this change was the liberal inflection in the country's economic stabilization policy, the implementation of which dates back to the start of the Collor government (1990). Liberalization was intended to deal with the crisis that devastated Brazil from the beginning of the 1980s up to the first half of the 1990s, a crisis which had uncontrolled inflation as its most conspicuous symptom.