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**Brazil**

# **A strategy for victory**

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**After the events in Genoa it is superfluous to dispute that there has been a change in the world situation in recent years or a rise of opposition to neo-liberalism. In Brazil this change coincides with a significant economic, social and political crisis.**

The current Brazilian government is the fruit of the neo-liberal political offensive. The current president of the republic, Fernando Henrique Cardoso (FHC), was elected in 1994 following the success of an anti-inflation plan, the Plan Real (from the name of the new currency).

This plan was the first step of an economic programme which followed the lines of what was called the Washington consensus: opening of the economy, privatisation of public enterprises, fiscal responsibility . All that was supposed to lead to increased investment and economic development, reduce poverty and ensure Brazil's transition to modernity.

This programme opened the Brazilian economy (to foreign commodities and capital) and privatised most public enterprises - the two most significant exceptions, up until now, are Petrobras (the oil company) and the Bank of Brazil. Inflation has been reduced. But otherwise the results have been very different from what had been promised.

Fiscal responsibility has been limited to the reduction of non-financial public expenditure, while interest payments have increased sharply. For this reason, the public debt has grown in a spectacular fashion, from around 30% of GDP in 1994 to 54% in 2001.

The opening up and the privatisations have led to the denationalisation of the economy - it is no exaggeration to say that Brazil, like the rest of Latin America in general, is undergoing a veritable process of re-colonisation - but not at all to a growth of investment and of the economy.

The Brazilian economy has become much more dependent on imports and completely vulnerable to international instability. If the foreign debt has remained stable (a little more than US\$240 billion currently, or slightly less than in 1994), external liabilities (which include, as well as the debt, those Brazilian assets, including shares, which are foreign owned) have increased significantly. Thus as well as the already heavy cost of servicing the debt there is a rapid growth in the export of profits. All the international crises (Mexico, Asia, Russia) have had severe repercussions in Brazil. At the end of 1998 - beginning of 1999 the Brazilian economy in its turn plunged into crisis, and this year the Argentine crisis has also had serious consequences in Brazil.

Nor is there any reduction of poverty, the contrary is the case. The government has shown itself to be at least as corrupt as its predecessors and there has been no shortage of scandals.

## Erosion of the FHC government

After some years of this economic, social and political framework, the weariness of the FHC government was already apparent at the 1998 elections. Nonetheless Cardoso was re-elected in the first round, playing above all on fear of the crisis (which, if he was no longer president, would worsen according to his sycophants) and profiting from the low rate of inflation. However, at the beginning of 1999 the devaluation of the currency, which affected one of the dogmas of his economic policy, increased popular dissatisfaction. Nonetheless the government succeeded in controlling the

situation once again (perhaps for the last time) by bringing inflation under control. A modest economic upturn began from the end of 1999, and the government hoped that it would last at least until 2001-2002 (until the new elections).

But 2001 has not met these hopes. Political scandals have been more serious than ever. The former president of the Senate, Antonio Carlos Magalhaes, head of the PFL (Party of the Liberal Front, the second biggest party in the ruling coalition), one of the most well known personalities of the regime, was obliged to resign to avoid dismissal. Jose Roberto Arruda, the leader of the PSDB (Party of Brazilian Social Democracy, FHC's party) group in the senate, experienced the same fate. The current president of the Senate, Jader Barbalho, of the PMDB (the third biggest party in the coalition) will undoubtedly follow the same road.

Worst, from April onwards the country learnt that there was going to be an electricity shortage and that rationing would be necessary whereas generalized power cuts (apagao) were not ruled out. This when Brazil's natural facilities for producing electrical energy are among the best in the world. Brazilian electrical energy is primarily of hydraulic origin and it is produced by big power stations built by the state. This model has been undermined by public spending restrictions and by the beginning of the privatisation of the sector. Until 2000 abundant rainfall meant the problems could be avoided but in 2001 the skies were not as generous. For a government which had promised modernity, energy rationing is perhaps the worst thing that could happen.

Finally the deterioration of the international economic situation and the crisis in Argentina have had direct repercussions in Brazil. The economic upturn has run out of breath: the Brazilian Institute of Geography and Statistics says that GDP fell by around 1% in the second quarter of 2001. If inflation is still low, it will certainly be above the rate negotiated with the IMF (4% +/-2% allowed variation; the official rate calculated up to July is already 4.3% and a rate higher than 1% is estimated for August).

## Possible victory of the opposition

Consequently, the possibilities of a victory for the opposition are considerable at the election presidential of 2002. In the polls, Lula (who will certainly be the candidate of the Workers' Party, PT) is ahead with more than 30% (the best polls have him on as much as 36%). There are other opposition candidates - Ciro Gomes, Itamar Franco (former president of the Republic, currently governor of the state of Minas Gerais) and Anthony Garotinho (the governor of Rio de Janeiro) - who the polls give between 10% and 20% of voting intentions while the candidates originating from the governmental bloc do not go beyond 10% for now.

The government's margins of manoeuvre are reduced. Yet its candidate, not yet named, will enjoy a fair chance of victory. Some of the names suggested could even play the card of criticizing current economic policy. This is the case with Jose Serra, economist, Minister of Health, known as an internal critic of the government's economic policy. He has to his credit one significant victory: the Brazilian anti-AIDS policy, set up by his ministry, is considered as a world model; moreover it was imposed through confrontation with the pharmaceutical trusts, in particular those of the US.

The candidates of the opposition, on the other hand, with the exception of Lula, are not clearly differentiated from the government in the field of economic policy. Itamar Franco presents himself as a nationalist, but it was under his government that the current economic policy began to be applied (FHC was his finance minister). Ciro Gomes was also finance minister in the Itamar government. Originating from the PSDB, he could well become the candidate of the bourgeoisie, if the candidate of the government does not break through.

The elections of 2002 hence present an opportunity for the opposition, and particularly for the probable PT candidate,

Lula. However, his victory is far from being assured in advance: if the candidates of the bourgeois opposition unite they will have a very good chance of victory but, even in this case, the government is not yet beaten.

# Lula's candidacy and the evolution of the PT

This context poses naturally the question: what is the best strategy for a Lula victory? The majority current of the PT, and in particular Lula himself, have made a clear choice: a maximum of moderation and the broadest possible alliances are necessary with all those who have a record of years of opposition whatever the reason. The Institute of Citizenship (Instituto da Cidadania), a kind of NGO directed by Lula, has made public a draft programme which avoids any rupture with the economic legacy of FHC, [1] while speaking of re-orientating the policy of the government. It is a very defensive programme which does not take into account the changes going on in the world. [2]

However public opinion is becoming much more critical of privatisation. One example is telling: in August there was a referendum in the town of Londrina on the privatisation of the municipal telephone company. Although the mayor (a PT member!) had campaigned for privatisation, this proposal was defeated!

The entire press understood (and said so) that the objective of the divulging of the programme of the Instituto da Cidadania (which has not been discussed inside the PT) was to gain the confidence of the entrepreneurs.

As to the alliances, Lula has already said that he wanted as candidate for vice-president someone like the senator Jose Alencar, ex-leader of the employers' confederation in the state of Minas Gerais, currently a member of the PMDB. This character has never been on the left (nor has he claimed to be) but he is in a minority in his party and has expressed his sympathy for the candidacy of Lula.

Happily for those who stand for class independence or even plain old political clarity, it will not be easy for Lula to carry off alliances of this kind. As the possibilities of victory of the opposition are great, all the sectors of the bourgeois opposition wish to present their own candidate. Even the little parties of the left who have supported Lula in previous elections have not up to now given him their support; they are devoting themselves to calculations on the possibilities of each of the candidates and the advantages they could obtain in exchange for their support to any one of them. Moreover, there are legal difficulties: Jose Alencar, for example, if he wishes to ally himself with Lula, must join a party in coalition with the PT, thus leaving the PMDB. Finally even inside the PT majority current there is no consensus for such broad alliances.

Can moderation help Lula win the election? It's not very likely. His biography is not that of a moderate candidate - he lacks the physique for the role. And on that terrain he will be in competition with a number of candidates from the bourgeois opposition. Even if moderation can sometimes facilitate electoral victory, it can also lead to a disastrous government: the catastrophic example of De la Rúa (Argentina) comes to mind. Finally, this search for moderation and alliances with the bourgeois camp represents a political adaptation to the pressures of a milieu which is beginning to decline; it is in contradiction with the beginning of the change of the world situation and in Brazil itself.

The process of internal elections in the PT is another key question today. New rules have just been adopted: for the first time all PT leaders will be elected directly by all the affiliates, without the mediation of the party Congress. The affiliates will also elect the delegates for the Congress which will take place afterwards, with the leadership already selected. Socialist Democracy and some other left currents opposed this change of method, which personalizes in the extreme the election of the leaders, makes them more dependent on public (and thus media) recognition and tends to separate the election of leadership from the adoption of political orientation.

# The Conference and political choices of the DS

The Socialist Democracy tendency, the current within the PT which involves the supporters of the Fourth International in Brazil, held its 6th national conference at Florianopolis in the state of Santa Catarina on August 3, 4 and 5.

The general policy of the DS is based on the consideration that although the political evolution of the PT is going in rather a bad direction, this party remains the unavoidable reference for Brazilian workers. The natural road for left political militancy involves membership of the PT. Inside this party a very broad space still exists for left politics (an important example of this space is the policy implemented by the government of Rio Grande do Sul and also several municipal governments). In the confrontations between the popular sectors and the government, the PT is still on the right side even if it is with moderate positions. For example, it still supports the MST (Movement of Landless Peasants). The PT's parliamentary group has in general good positions (even its most moderate deputies feel the necessity of distancing themselves from the government).

The DS is, then, maintaining the political orientation it has held for some years now: to build the PT, while debating its political orientation. In the presidential election this would mean political support for Lula, while proposing a programme for his candidacy and a policy of left alliances.

The change in the world and Brazilian political situation makes the conditions for the realisation of such a policy more favourable, even if the PT majority is becoming ever more moderate. In the PT's current debates the most important initiatives we have taken have been: the presentation, together with other left currents, of the candidacy of our comrade Raul Pont (ex-mayor of Porto Alegre) for the post of PT president; the presentation of a list for the national leadership of the party; and the presentation of lists of candidates in several states. Raul and the DS candidates centre their campaign on the critique of the political line of the majority of the PT leadership and the presentation of alternative proposals. [3]

Both Raul's candidacy and the national and state lists of candidates currently enjoy quite broad support. It is very significant for example that the governor of Rio Grande do Sul, Olivio Dutra, supports Raul and figures on our national list. Olivio has been for a long time a member of the majority current of the PT. In the course of recent years he has adopted a more independent position closer to that of the left of the party, while remaining very linked to Lula. Olivio's support for Raul, and his participation in a list formed at the initiative of the DS, is the consequence of a political rapprochement and good personal relations with the DS, above all in Rio Grande do Sul.

## Significant growth

In these favourable political conditions, the DS has experienced significant growth in recent years: since the 1999 Conference the number of its members has nearly doubled. The strongest growth has taken place in Rio Grande do Sul.

The Conference also debated draft documents put forward for discussion for the 15th World Congress of the Fourth International and the discussion on national political orientation has considered the consequences of the changes at the international level on the Brazilian political situation. An important idea has been that the DS must be (to some extent it already is) the main representative of the movement against capitalist globalisation and for the taking up of socialist themes inside the PT; the preparation of the World Social Forum of 2002 has been defined as a central task of the tendency. After some years in which the identification of the PT with socialism has gradually been eroded (in

particular inside the majority current) the moment is favourable to for a revival of socialism in the PT.

The 6th Conference of the DS has shown the importance of the relationship with the Fourth International. That stems first from the participation of the representatives of the Fourth International - Livio Maitan, whose report on the world situation was greeted enthusiastically, as was Ernesto Herrera, responsible for the International's Latin American work. The discussion of the themes of the World Congress certainly also helped. But there are probably two other stronger reasons for the lively identification of the Conference with the International: first, in the course of the preparation of the World Social Forum in Porto Alegre this year during the Forum itself and after it, many DS supporters had an unprecedented opportunity to meet activists from other countries; then for the first time international questions have become directly related to political work in the country. An understanding of the importance of the International can only be strengthened.

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[1] For example: this draft does not question the privatisations already carried out; the critique made of the process of privatisation is very limited; the programme makes no proposal to reduce the degree of denationalisation of the economy, nonetheless characterized as very high in the text.

[2] See [the article by Ernesto Herrera](#) on the discussion of this proposal in the Sao Paulo Forum, IV 334.

[3] See subsequent articles.