

<https://npa31.org/spip.php?article246>



**Brazil**

# **The two souls of Lula's government**

- IV Online magazine - 2003 - IV348 - March 2003 -

Publication date: Friday 7 March 2003

---

**Copyright © International Viewpoint - online socialist magazine - All rights reserved**

---

**Lula's victory has been celebrated as a great popular victory in Brazil and in Latin America in general. After all its not every day that a trade unionist and workers' leader is elected as president, somebody who is a popular leader and the main organizer of a mass party of the left.**

[<https://npa31.org/IMG/jpg/13luladutra.jpg>]

Lula's victory was reinforced by the victory of the Workers' Party (PT) in the parliamentary elections; it became the main party in the House of Representatives (91 federal deputies out of 513) and the second in the Senate. The PT also became the main party in the States Legislative Assemblies. [1] The party remains far from being the majority party; even with its allies in the first and second rounds, the PT did not gain a majority in the Chamber, or the Senate). Also, its performance in the elections for the state governorships was modest. Nonetheless, the PT's electoral results represent a defeat for neoliberalism and a significant shift in the relationship of forces in Brazilian society. The fundamental reason for this was the popular discontent with the results of eight years of the neoliberal government of Fernando Henrique Cardoso (FHC) along with a great desire for change, a desire with which the PT was identified.

## Signals from the election campaign

The great hopes generated by the return of the new government were clearly expressed during the celebrations marking the new government's inauguration, when thousands of people made their way to Brasilia to salute the 'comrade President' confident this time that the hour of the people had truly arrived.

And there were plenty of reasons to celebrate. There were however contradictions and limits within the victory which had revealed themselves during the electoral campaign. The most important factor being that Lula had joined an alliance which included a party clearly on the right, the Liberal Party (PL), which during the same elections had supported some of the most well known faces on the Brazilian right for the state governorships, Paulo Maluf and Antonio Carlos Magalhaes. Lula's running mate for vice-president Jose Alencar, a member of the PL, is a major businessman who was chosen as a candidate precisely for that reason, with the objective of mollifying any resistance toward Lula on the part of big business.

Despite the fact that the PT had, at its twelfth national conference in December 2001 had approved a programme aimed at breaking with neoliberalism in favour of a return to some of the parties more historical positions (albeit in more diluted form) linking the formation of a government with a socialist programme, the manifesto presented at the election was very different. The idea of a total break with neoliberalism was abandoned in favour of the notion a 'period of transition', which assumed the maintenance of certain central political and economic features of the FHC government. Throughout the campaign pledges were repeatedly made that 'the contracts' would be honoured (including in particular the strict adherence to the servicing of the national debt). This in turn assisted the new agreement with the IMF which was drafted during the election campaign and received Lula's support (because it was considered as 'inevitable').

Finally, at the end of the first round and before the second, declarations of support from the conservative camp increased. After the election it could be said that Lula began to put in place the grand alliance with business which he had sought since the appointing of his vice-president. It should be said that the PT's alliance with big business was the result of initiatives from the party leadership much more than from big business itself. Whatever analysis one

makes of this alliance, it should be understood as part and parcel of the strategy implemented by Lula and the PT majority. Also, its eventual consolidation will depend on concrete acts of the government, above all the way it handles social conflicts. Whilst this great political game has received much criticism both within and without the PT Lula scarcely lost a single vote by it. The PSTU (Socialist Party of United Workers, of Morenist origin), the only party which stood clearly to the left of the PT (if we ignore the insignificant PCO [Party of the Cause of Labour] and if one believes the pretensions of Ciro Gomes and Anthony Garotinho to position themselves to the left of Lula cannot be taken seriously ) made some very small gains at the ballot box as compared to previous elections. Lula however increased his vote from the right and the centre without losing significant votes from the left.

After the elections Lula's support increased in a manner more than is usually accorded to victorious candidates. The celebrations in honour of his accession, the treatment in the media, the declarations of support from the MST (Movement of Landless Workers), from the representatives of the IMF (its director, Horst Kohler said that Lula was 'the statesman of the 21st century') only confirmed that never had a Brazilian president come to power with so much support, both in their own camp and outside it.

An excess of support naturally presents its own problems; the different sectors who identified with Lula's government expect different things of him. Even if the president wins time to bring results - enjoying a veritable state of grace - the contradictions are only greater.

The difficulties linked to the framework inherited by the Lula government have another significant aspect. The FHC government had drastically increased the dependence of the Brazilian economy on external influences; it had become completely subordinate to the demands of the international financial markets. During the same period the internal debt had grown making it much more difficult to manage the public purse. The sole victory of the Cardoso government - the mastering of inflation - came under threat towards the end of its term.

All this leaves doubts over the capacity of the new government to honour its commitment to transform the country in favour of popular interests. Even under ideal conditions this task would be enormous.

## The make-up of the cabinet

The success of Lula's government will depend upon many things. some of which are beyond its control, such as 1) the international political and economic situation and others where its influence is not as deep, such as 2) social mobilisation.

But there is no doubt that its programme (the main lines on which it seeks to face the challenges posed to it) and its composition (the political forces which make it up) will be two determinant elements.

In terms of the first aspect, the idea which dominated the election campaign was that the government would promote discussions between all classes and social groups. The chief objective - empowerment of the citizenry - would go hand in hand with economic growth, job creation and a reduction in inequality - all of which was deemed possible without any great social or political conflict. In relation to the actual composition of the cabinet promises were made during the election campaign that the government would be broadly based and representing not only the PT but also the various groups and coalitions who had supported Lula in the first and second rounds.

Now that we are aware of the make-up of the new government and the initial pronouncements of the president elect and his team it is possible to attempt to form a clearer picture of how the government will be.

Among the latter, 20 are affiliated to the PT (16 ministers and the 4 secretaries of state). Seven of the member parties of the second round alliance have one minister each: the PL, the Communist Party of Brazil (PCdoB), the Democratic Labour Party (PDT), The Socialist Popular Party (PPS), the Brazilian Socialist Party (PSB), the Brazilian Labour Party (PTB) and the Green Party (PV). The new president of the Central Bank had just been elected as federal deputy for the Party of Brazilian Social Democracy (PSDB, the party of Cardoso) when he was chosen - he had to renounce his seat to assume his function. Unexpectedly, and contrary to what Lula, had said, the Party of the Movement of Brazilian Democracy (PMDB) is not part of the government (even if the government is negotiating the support of sectors of this party in Congress, as it has attempted to do, alas, with other parties not represented in the Cabinet like the Brazilian Popular Party (PPB) of Paulo Maluf). Seven other ministers are not members of political parties. Two of them are lawyers: the minister of Justice, linked for many years to the PT, and the Procurator General of the Union, [2] another two are diplomats (the Foreign Minister and the Defence Minister) and a fifth is from the military (the head of the Cabinet of institutional security). The two last non-party ministers are employers (the minister of development, industry and foreign trade and the agriculture minister). According to the press, the first was proposed, at Lula's request, by the Federation of State Industries of Sao Paulo (FIESP), the main employers' organization in Brazil. Both supported the campaign of Jose Serra, the defeated candidate of the outgoing government. It is significant also to examine the political affiliation of the 20 ministers and secretaries who are in the PT. Twelve of them belong to the PT majority current (which gained a little over 50% of the votes at the last congress), three others belonged to groupings that might be called 'intermediary' between the majority camp and the left of the PT, two others are recent adherents. The other three participated at the last congress in the lists of the left currents (the ministers for agrarian development, Cities and the secretary of state for aquaculture and fishing).

Three comments. First, the PT is much more predominant in the government than had been expected. Not only in terms of ministerial posts involved but by the importance of these positions. The nucleus of the government (Interior, the general Secretariat of the President, the Government's press office and the Treasury) is more or less entirely PT. Moreover, the diversity of the PT currents has been relatively respected. Even if none of the currents which are not part of the 'majority camp' have been included at the heart of the government, their participation is already more important than, for example, in the leadership of the electoral campaign, indeed in the team which oversaw the formation of the government. Finally, despite the preponderance of the PT in the government, the latter is much more 'broad' (in the sense of going beyond the alliance that supported Lula in the second round) than predicted. The lack of 'broadness' caused by the absence of the PMDB is largely compensated for by the inclusion of a president of the Central Bank and two ministers (both in the economic sphere) linked to the PSDB.

## Continuity at the Central Bank

Since 'broadness' is concentrated in the economic area, it is necessary to look more closely at this sector of government. Beyond the Central Bank (closely linked to the minister of the economy, but whose autonomy of functioning keeps being strengthened), it includes four ministers: the minister of the economy, the minister of planning and budget, the minister of industry and foreign trade and the minister of agriculture. Other ministers have some effect on economic policy, but these are the most important. If one considers these five institutions, there is a division between, on the one hand, the PT and on the other what might be called the 'PSDB current': employers identified with this party and a deputy elected under its colours. The slight predominance of this latter bloc is strengthened by the fact that it controls the ministry of the economy and the Central Bank (by far the most important institutions in the economic sphere) and by the declarations of their leaders. The new president of the Central Bank, Henrique Meirelles, who is close to the PSDB, is a former international president of the Boston bank. As might be expected, the nomination of a president of the Central Bank linked to a US bank and to Cardoso's party met with opposition from PT militants, among them senator Heloisa Helena, of the Socialist Democracy tendency, who refused to vote for his nomination (the Constitution says the president of the Central Bank should be confirmed by the Senate).

[<https://npa31.org/IMG/jpg/15mst01.jpg>]

March in support of MST (Movement of landless workers)

These critiques maintain a PT tradition; four years ago, when Meirelles' predecessor, Arminio Fraga, was nominated, the PT was massively critical of the nomination of somebody linked to the international financial markets (Fraga worked for George Soros). To leave no doubt as to the orientation he would take at the Bank, Meirelles told the Senate of his total identification with the policies of Arminio Fraga. Moreover, he has kept the leadership team appointed by his predecessor.

The Central Bank is now the most important institution in the conduct of economic policy: beyond steering monetary policy, it directs exchange policy, the regulation and supervision of the banking system, controls capital movements and holds a central position in discussions with the IMF. Moreover, monetary policy prioritizes above all the definition of the price of money - which in the Brazilian case has an enormous fiscal impact; if interest rates are increased, the public debt and its servicing also go up.

The same phenomenon applies with the exchange rate policy because a great part of Brazil's internal public debt is related to variations in the exchange rate. It can be said that the reduction of the budget deficit introduced to control the public debt/GDP ratio (which is the touchstone of the IMF demands and those of the 'markets') is determined in great part by the variables placed under the responsibility of the Central Bank (rates of interest and exchange). Interest rates under the Cardoso government were always among the highest on the planet and the policy announced by Meirelles should keep them at a very high rate. Maintaining high interest rates does not only cause greater fiscal difficulties; it transfers wealth to the holders of financial capital and tends to lower rates of profit, and hence exerts a downwards pressure on wages. In other words, high interest rates significantly increase the concentration of wealth, which frontally contradicts the themes of Lula's election campaign.

Monetary policy determines to a great extent the growth rates of the economy; high interest rates lead to lower growth that will ruin the government's projects. The Lula government defends - it is a demand of the IMF - a project of 'operational autonomy' for the Central Bank, which had already been formulated by the team around Arminio Fraga. This would legally formalize and give more consistency to the freedom of action the Bank benefits from already; and, as the directors have fixed terms of office, it would make it very much more difficult to replace them in the case, for example, of a change in government economic policy. Naturally, the project of 'operational autonomy' envisages that the Central Bank should meet objectives defined by the minister of the economy - in reference to the policy inaugurated during reign of Fraga, fixing 'inflation targets' to anchor monetary policy.

Not content with being based on a debatable model of economic policy, the definition of inflation targets is fairly slender as an orientation; the Central Bank enjoys a total liberty in the conduct of monetary policy to meet these targets. What has happened already since the Cardoso government will be accentuated; instead of the minister of the economy orientating the actions of the Central Bank, the latter will define the margins of liberty of the minister through its control of the fiscal framework. The PT has always been opposed to the autonomy of the Central Bank in all its variants. It is a constitutional question, which should be approved by the two chambers of Congress. Several PT parliamentarians have already criticized the project; its approval will not in any case take place without a fight.

## Economic continuity

The risk of a total continuity with the policy that prevailed during Cardoso's second term - implied by the plans for the Central Bank - is reinforced by the presence of two ministers close to the PSDB, those of Development and Agriculture. To what extent will the PT ministers oppose them? A look at the team at the economics ministry strengthens the hypothesis of continuity. The minister, Antonio Palocci, has given key posts (secretary of federal

funds, secretary of the national treasury and secretary for international questions) to men who participated in the Cardoso government and who defend the policy that prevailed then. The most surprising - and the most significant - has been the nomination as secretary for economic policy, responsible for the general policy of the ministry, of the economist Marcos Lisboa, known as one of the most important neoliberal economists of the new generation.

The neoliberal tendencies of the main auxiliaries of minister Palocci are hardly counterbalanced by the designation as executive secretary and executive vice-secretary of two PT militants, well known party economists. The preponderance of the neoliberal orientation is confirmed by the actions of the minister himself. Palocci has defended continuity with the main points of the macro-economic policy of the Cardoso government: his version of 'fiscal responsibility' (privileging the reduction of the budget deficit to stabilize the public debt/GDP relationship) and a conservative monetary policy. He also advocates the pursuit of the privatization of the state banks (which did not figure in the electoral programme of the PT). He seems to believe that there is only one sole 'scientific' economic policy; in his inaugural speech, he said that his team are not going to 'reinvent the basic principles of economic policy'. He adheres in fact to the fundamental dogma of the 'single system of thought'.

[<https://npa31.org/IMG/jpg/15mst02.jpg>]

MST activists patrol

One might accept the hypothesis that this conservative orthodoxy will only be maintained for the initial phase of the government. During the campaign there was much talk of a 'period of transition'; Palocci himself sought to clarify this concept in his inaugural speech: 'The theme of transition has raised many anxieties about what will come after the phase of transition, there has been much speculation on the end of the reduction of the budget deficit, the objectives of inflation and of the floating exchange regime as well as on the adoption of unconventional innovative measures to guide macro-economic policy. To these legitimate questions, we reply without equivocation that the new regime has already begun; good management of the public weal requires fiscal responsibility and economic stability. The preceding government had much merit in this respect. Yet, this is not its exclusivity, just as it will not be for our administration... Our conception of the transition, and that which the country expects, is the overcoming of short term difficulties'. [3]

There will not, according to the minister, be any transition concerning the "basic principles of economic policy". In his view, the "period of transition" amounts to the necessary time period for overcoming short-term difficulties. This impression of continuity in economic policy is strengthened by the critiques Palocci addresses of the management of his predecessors, critiques that do not exclude continuity. In another speech, Palocci criticized two aspects of the economic management of the Cardoso government. The first related to its exchange policy, mainly on the overvaluation of the real in the early days of the government. This critique is correct: this policy was responsible for the main part of the subsequent economic problems. But this policy was changed during Cardoso's second term; and what has followed since fits in with Palocci's position (even in the most debatable aspects, like the lack of controls over capital movements) The main objective fixed by the new minister in this area - the stabilization of the exchange rate - is shared by Cardoso's old team; and the basic remedy proposed then - the restoration of 'market confidence' receives his enthusiastic support.

## â€ˆStrategic Planning' and social policies

The second criticism is more fundamental; it is aimed at the excessive confidence in the market, the absence of a national project of mobilization, an absence of some kind of â€ˆstrategic planning'. It's useful to quote the minister: 'Without this national mobilization, the basis for a new social contract, any government effort, however voluntarist, will run out of steam and in the short run fall into strictly technical formulations, as zealous as they are limited. If the state should not fall into paternalism as in the past, it should not imagine itself to be able to define a course for the economy by distancing itself from the population and its needs. The unity of the country around this great, eminently

political objective is the sole means of exercising a salutary pressure to reduce fragmentation and deepen coordination and dialogue between the different ministries, agencies and programmes of development. At this level, disarticulation is systematically the source of waste of resources and engenders inefficiency... Planning has been emptied of its function of definition of an institutional project and the establishment of a system of management and coordination. This is true not only inside the ministry of Planning, but throughout the institutions charged with articulating the development of the country. It would not be an exaggeration to say, in relation to strategic planning, that the Brazilian state has lived through a prolonged 'breakdown'... The outgoing government has contributed, in concert with sectors of the international community, to spreading the illusion that economic growth and the reduction of social exclusion would result naturally from the development of markets and the unrestricted use of the abundant international savings available in the early 1990s... We are conscious that the votes for [Lula] came to correct this excessive fascination for the markets which has marked the action of the government in recent years.' This severe critique of the Cardoso government is strengthened by the critique of its social policy: 'What we inherit today is a country which has not been able to advance towards transcending the old dichotomy between economy and society, in which social policies appear as ornaments or appendices of the effort to control the economy. The improvisation of a series of social programmes in the last two years illustrates this original separation and perpetuates a vision which does not incorporate social inclusion as a central theme of state policy'. [4]

However, this discourse is coupled with references to the fact that nothing that is being proposed should oppose the 'principles of economic policy', which include, for Palocci, an unambiguous effort to win the 'confidence of the markets'. Moreover, it is explicitly affirmed that the new policy will be pleasing to them; 'the stronger the stability of economic and social relations and the more the markets are strengthened the greater will be the wealth accumulated to be better shared out'. [5] The critical posture is relative then, while the exact meaning of the accent put on the construction of a national project is not very clear.

To better examine this aspect, it is worth looking at the perspectives of the minister of Planning. The new minister, Guido Mantega, a member of the PT, was once an economic advisor to Lula. Everything indicates that his ministry will not have a very great weight in the formulation of economic policy, in the manner of what happened under the Cardoso government. In fact, Mantega will be reduced to the role of collaborator with Palocci. Yet his ministry will, in a certain fashion, have a central responsibility in the realization of the objective of 'strategic planning'. In his speech on accession to office, he threw some light on the meaning of this concept. He took up the idea of a project of development and the mobilization of society, insisted on the necessity of 'tough measures' in a period of transition.

He clearly underlined the novelties that the policy of the new government will involve: 'The new economic policy is not summed up by the reduction of the budget deficit or the fight against inflation... Simultaneously, we will implement without delay a range of policies that will be the signature of this government and will characterize a new model of development. Those who imagine that we will practice the old economic policy are wrong. In the area of foreign trade, the government will not remain inert, at the mercy of the mechanisms of globalization, which are biased and favour the advanced countries. We will support exports and implement a policy of import substitution... The Lula government will have no scruples about implementing active policies, for industry, agriculture or services and all the sectors where there is a need for modern policies of stimulation of the competitiveness and productivity of Brazilian industry, thus generating the millions of job the people need. The state will be at the service of the disinherited, in a crusade against hunger, poverty, and deprivation'. [6]

The 'active policies' in the areas cited were characteristic of the so-called 'developmentalist' period of the Brazilian economy until the early 1980s. This link is confirmed by a reference, made by Palocci, to one of the best known presidents of that period: 'In the past, with great presidents like Juscelino Kubitschek, the reforming task consisted in broadening the horizons of the citizen, interiorising development and bringing out the creative capacity of people, burying any inferiority complex. Today, the great reforming task is to supervise organization and social cohesion, encourage teamwork and manage wisely the public and private resources with adequate techniques and modern methods of planning, which give Brazilians the possibility of overcoming social disorganization.'. [7] At the

same time, however, Mantega poses the limits of interventionism: 'State intervention in the economy will henceforth be much more active, without however returning to the interventionist state of the past'. [8]

Juscelino Kubitschek is generally congratulated for his initiatives in favour of development, while being reproached for his fiscal irresponsibility and for having been responsible for the long period of hyperinflation experienced by Brazil. Moreover, Brazil's 'developmentalism' was criticized for having maintained the social inequalities that Brazil has inherited from the time of slavery. Already, starting from the preceding, we can sum up what seems to be the main orientation of the Lula government's economic policy in the formula: 'Development + fiscal responsibility and control of inflation + state intervention without interventionism + struggle against social inequalities'. In truth, the 'active policies' in favour of development were also a theme of the campaign of the PSDB candidate Jose Serra. It is precisely on this point that he proposed changes in relation to the Cardoso government, justifying thus his formula of 'change in continuity'. Thus, another way to sum up the Palocci-Mantega line could be; the line of Jose Serra plus social sensibility.

To conclude, we should mention another important body in the economic sphere, the Bank for Social and Economic Development (BNDES). It is formally linked to the Ministry of Development, but its president, the economist Carlos Lessa, was appointed by Lula in person. Lessa belongs to the so-called progressive wing of the PMDB (he was not appointed to this post by his party), and has many friends in the PT - notably the economist Maria da Conceicao Tavares. He has already announced a reformulation of the bank's activity, along the lines of developmentalist 'active policies'. The nomination of the PT's Jorge Mattoso as president of the Caixa Economica Federale, another very important federal bank, goes in the same direction (that of the Bank of Brazil has not yet been named). Overall, the predominance of conservative or neoliberal orientations in the economic sphere of this government is obvious. One can ask why this has not yet led to a stronger critique from the militants of the PT. One explanation is that the consequences of these orientations do not yet appear clearly for a great majority.

## A social revolution?

What will be the profile of a social policy that will not be an 'ornament', to take up the expression used by Palotti to refer to the policy of Cardoso? The big ideas seem to be those of change without precipitation, accomplished through negotiation, of a national mobilization and a social pact (essentially through an alliance between labour and 'productive capital'), on which Lula has insisted throughout the electoral campaign and which also figures in his inaugural speech: 'Yes, we will transform. Transform with courage and caution, humility and audacity, being conscious that change is a gradual and continuous process, and not a simple exercise of will or a voluntarist transport. Change happens through dialogue and negotiation, without rush or precipitation, so that the result is coherent and durable... To put Brazil on the road to growth to create the jobs we lack so much, we need an authentic social pact for change and an alliance that solidly unites labour and productive capital, generator of fundamental wealth for the Nation. This so that Brazil comes out of its current state of stagnation and so that the country navigates anew on the great sea of economic and social development. Such a social pact will be also decisive to render viable the reforms that Brazilian society demands and that I am committed to carrying out; reform of social security, tax reform, political reform, reform of the labour code, as well as agrarian reform. All these reforms will impel a new cycle of national development.' [9]

For his part Jose Dirceu in his accession speech to the Casa civil (the presidential cabinet), took up the same ideas with a different accent: "we all know that we are going to take over the government of Brazil at a difficult time internationally, with a threat of war and in an economic and financial situation which worsens the situation of our country. However, our responsibility is immense, more precisely, we cannot surmount these tests without a real popular participation and a national mobilization.



President Lula, in his declarations, has expressed very clearly the following commitment: as this millennium begins, Brazil can victoriously face its problems only by a social contract, a national mobilization and popular participation... The biggest challenge that our government faces in the coming years is perhaps that Brazil occupies its place in the world. This is possible only at the price of a great social transformation and - we have no fear of the words - a true social revolution. We owe it to our people. Our Brazil... has faced great tests and has overcome them all, but it has not known how to face the challenge of justice and social equality. It is for this that as a party of the socialist left - it is good to remember it - we hold out a hand to the Brazilian entrepreneurs and offer them a pact, of which we should say that it works in two directions: it is necessary to defend the national interest, production, the development of the country, but on the other hand it is necessary to redistribute wealth, establish social justice, eliminate poverty and misery. It can only be done with a sole road, one way. It is not acceptable that recently, the country resolved its financial and economic problems, that it has experienced growth and that this growth is not transformed into a greater share of the national wealth for the workers. On the contrary, their share has shrunk by half in the last 20 years. Without a distribution of wealth, without revolution in education and a combat against poverty there will be no durable and substantial economic growth. We all know that the current concentration of wealth and social inequality will lead the country into a social, cultural and institutional impasse." [\[10\]](#)

Thus, Dirceu speaks of the necessity of a "true social revolution" that the leaders of the PT owe to the Brazilian people, and refers to the PT as a party of the socialist left. There has been much comment on the existence of a conflict between two orientations inside the nucleus of the government: the one, rightist, defended by Palocci and the other, leftist, incarnated by Dirceu. However, Dirceu's speech also contained many less radical passages. Beyond the reference to the "hand held out to the entrepreneurs" and the necessary pact with these latter, he made an emphatic declaration on his willingness to collaborate with Palocci in defence of the economic policy of the government: "I wish to send a special message to my comrade and friend Antonio Palocci - who is not present. I want to say to the country, and him in particular, that he will be able to count, that he can already count on my support for the difficult task that will be his ministry of the economy. Palocci, be assured that with Jose Dirceu in the Casa civil, you will have a fortress to defend the economic policy decided by president Lula." [\[11\]](#)

This reference could of course, simply be a matter of protocol and it does not rule out the existence of deep divergences. Nonetheless, it is difficult to know what social transformations the Lula government will carry through. The most accentuated project of the early days of his term - the programme against hunger - does not yet have a well-defined format.

## Perspectives for agrarian reform

On the other hand, the advance of agrarian reform can represent an important social transformation and the conditions for this to happen are relatively more favourable. First, thanks to the existence of the MST. The MST is one of the most active social movements and the one with the greatest capacity for mobilization. Second, because the designated minister for Agrarian Development, Miguel Rosseto, belongs to a left tendency of the PT - Socialist Democracy. His nomination has been, significantly, supported by the MST and by the other sectors affected by agrarian reform (CONTAG, the rural sector of the CUT), who had been consulted, and criticized by the employers' representatives. From his entry into office, Rosseto has adopted a discourse linking the possibility of advancing towards agrarian reform with social mobilization. Simultaneously, he has also defended the autonomy of the social movement, and the respect by the government of its mobilizations: "we will follow to the end this task on the basis of a broad appeal to social mobilization, we will go into dialogue with the state governors, with the mayors, we will have a dialogue with all the social movements, we are going to have a dialogue with all factions of Brazilian society who understand and are willing to collaborate in this great civilizing process in Brazil and in particular in our countryside... We have built relations and concepts of autonomy, of independence, which separate and distinguish the political dynamics of the social movements, the elected executives and the state organizations as a whole. It is true that the elected organs should not be put under the tutelage of the social movements. If that is true, it is also true

that it is not the task of a government in a democratic state to smother the capacity for mobilization of the social movements. The democracy we want, the Republic that we have won, loves the popular presence, loves, lives and grows stronger from the activity of the citizens. The reconstruction of this country has as its basis this enormous capacity for mobilization, this enormous capacity to look from the side of this Brazil, to create larger and better spaces of popular and citizens' participation, to recognize in permanence that there are names, faces, joys, sadnesses, sufferings; there is a people that wants to be respected and that will be by all of us.' [\[12\]](#)

The main leader of the MST, Joao Pedro Stedile, commenting to the press on the nomination of Miguel Rosseto and the perspectives of agrarian reform, stressed the importance of social mobilization to render viable the transformations: "The presence of minister Rosseto is a positive signal. He is someone who has a historic tradition of commitment on the Brazilian left. However, we prefer not to make judgments on persons or declarations. What will allow advance will be the correlation of forces inside society. And it is us who will organize the people to bring the level of pressure necessary for any process of change" [\[13\]](#)

After taking office, the minister visited the Chamber of Deputies and held a meeting with the agrarian commission of the PT, which is made up of the deputies most involved in the struggle for agrarian reform. He has announced his intention of working in liaison with them.

In spite of favourable conditions for meeting the minister's objectives, we should remember that there are also significant difficulties. The first is the legislation promulgated under FHS to make the MST's mobilizations more difficult (mainly Provisional Measure 2.027 which lays down that occupied lands will not be requisitioned for two years, and that their occupants will be excluded from programmes of land distribution). The MST, naturally, expects the revocation of this measure.

A second big difficulty is shared with all the social sectors: agrarian reform requires public funds (for the requisitions and aid to peasants who have been given land), and this is difficult given the necessity of maintaining fiscal austerity to ease the deficit.

## Conflictual reforms

In his speech on acceding to office, Lula stressed the importance of certain reforms: pensions, taxes, political reform and the labour code as well as agrarian reform. Not one of them will be easy and that is obvious from the first days of the government. Pension reform is particularly subject to conflicts. From the government's viewpoint, there are three difficult objectives: to create a fairer pensions system (the pensions for workers in the private sector are derisory; the major part of workers in the public sector have a reasonable pension; and a part of the public sector has enormous privileges); to reduce budget costs; and to respect the limits that the Constitution imposes on changes, on the basis of guaranteeing 'rights acquired'.

The 'markets' are campaigning frenetically for a reform that reduces the budgetary cost of pensions and allows the reduction of the deficit. This institution and its representatives in the press talk of the 'injustice' of pensions now integrated into the wages of civil servants, without defending a decent pension for workers in the private sector and hiding the fact that the essence of the proposal for the reduction of the budget deficit is to allow the payment of exorbitant interest on the public debt. Workers in the public sector fear, correctly, that they will be the big victims of reform. And the privileged mobilize to defend their privileges. Caught in the crossfire, the government (especially the Pensions Minister, Ricardo Berzoini, PT and ex-trades unionist), makes incoherent speeches on their objectives.

Reform of the labour code is no less controversial. To cite only one example, in one of his first declarations after his

nomination, the minister of labour, Jacques Wagner (PT, ex-trade unionist) was favourable to one of the main employers' demands, cancellation of the fine of 40% that employers have to pay for dismissals without motive. Faced with the live and immediate protests of the trade union federations, he drew back. The most important theme in this area has for the moment not drawn much attention: the fact that nearly half of the Brazilian labour force has no formal employment, and thus no legal protection. In sum, the negotiation and the eventual approval of these reforms will certainly lead to big conflicts.

## International relations

International relations will be a key area for this government both in its repercussions abroad and as a source of some of the main challenges that it will face (the most dangerous being the process of negotiation of the FTAA which is underway).

Lula has said he will give priority to relations inside Latin America, which is positive. During his accession to power, he drew attention to his meetings with Hugo Chavez and Fidel Castro - which in today's world is very significant. Also, the government appears to be in the process of increasing its aid to Venezuela, with the declared objective of defending the institutional order - another positive, in the face of the mobilization of the right in Venezuela to overthrow the Chavez government. The minister, Celso Amorim, a career diplomat, had already occupied this post under president Itamar Franco, in 1992-94.

The most important question is: how will the negotiations for the FTAA be conducted (they also involve other ministers, particularly that of development)? A very positive event has been the nomination of the ambassador Samuel Pinheiro Guimarães to the second rank in the hierarchy of the ministry, that of secretary general. Guimarães was one of the main critics of the FTAA project in Brazil, and that is why he was relieved of his functions and marginalized by the former minister. This nomination could mean that the Lula government will adopt a posture of opposition to the FTAA. However, subsequently the secretariat general has lost some of its powers, and it seems that it will not participate directly in the process of negotiations for the FTAA.

Moreover, the Brazilian coordinator of the negotiations will continue to be the ambassador Clodoaldo Huguene, the same diplomat who has held this responsibility since the beginning of 2001!

Lula, like Celso Amorim, puts forward a line which is to pursue the FTAA negotiations, while correcting certain aspects. At his investiture, Lula said: "The essential thing in all these forums is to preserve margins of flexibility for our policies of development in the social and regional areas, in the environment, agriculture, industry, technology. We will not lose sight of the fact that the human being is the ultimate destiny of the outcome of negotiations. What would our participation be worth, such a vast effort on so many fronts if the outcome was not direct benefits for our people? We will be attentive also that these negotiations, which now go well beyond simple reductions of tariffs and encompass a range of norms, do not create unacceptable restrictions on the sovereign right of the Brazilian people to decide on its model of development". [\[14\]](#)

The current model of the FTAA, which responds to the interests of the US, creates precisely such restrictions on the "sovereign right of the Brazilian people to decide on its model of development". This model goes well beyond questions of free trade: it includes liberalization of capital and investment flows, restrictions on the purchasing policy of governments, along the lines proposed under the famous MAI.

In conclusion: the policy towards the FTAA is not that defended by the Brazilian left and approved at the plebiscite of 2002 - to end negotiations. However, the chances are growing that this dangerous project will be blocked.

## Undefined orientations

The objective of this article was solely to present a broadly systematic picture of the composition of the Lula government and to make a brief analysis of its early stages. We do not propose to make an overall analysis, and still less propose an analysis for the left of the PT in relation to the government. Thus, by way of a conclusion, we can sum up on what seem to be the basic contradictions of the initial project.

The idea that it is possible to maintain a conservative policy on fundamental aspects (monetary policy, fiscal policy, guarantee of "contracts" in general, which includes a strict guarantee of private property) and also promote changes which represent popular interests, implies that it is possible to reduce exploitation and oppression without harming the interests of the dominant classes. It amounts then to a contradiction in terms.

This contradiction is not overcome in the 'left' version of the same idea, defended by Jose Dirceu in his inaugural speech; "to extend a hand to the entrepreneurs" so that they collaborate in this objective. Are these ideas purely tactical, or do they represent a strategic orientation of the nucleus of the government? If we look at what those who speak on this aspect in the government's name have said, we have to go with the second hypothesis. As we have seen, the idea that the government begins with a 'period of transition' is interpreted in the sense that a certain time is necessary for the country to free itself from the most onerous restrictions inherited from the previous government. But it is hoped to do this by maintaining conservative (or neoliberal) orthodoxy on key aspects of macroeconomic policy - particularly in the fiscal and monetary areas.

Anyone with basic Marxist references would conclude without difficulty that this project is not realistic. But what will come out of it?

[<https://npa31.org/IMG/jpg/19ptstar.jpg>]

The Lula government has, we would say, two souls: that of the promised changes (which justified its election) and that of the guarantees of continuity to win the confidence of the markets. Perhaps these two souls are symbolized by Lula's decision to participate in the WSF in Porto Alegre (he had attended the two previous forums) and in the WEF at Davos. Some of the organizers of the WSF criticized this decision and called on Lula not to go to Davos - without effect. At Porto Alegre, Lula will be with the ministers linked to the social area of the government's activities; at Davos, with Meirelles (Central Bank) and Furlan (Development), both regular participants in these meetings. The composition of the government shows that there will be internal conflicts. And more importantly: even if Lula desires and works for a 'social pact' and national unity, what is more probable is a government of large scale class conflicts (whose dimension is hard to predict), where social mobilisation will play a fundamental role. Another decisive question; what will be the dynamic of the PT during Lula's term of office? How will it behave faced with the challenges and conflicts the government will face?

It is clear that the party will be subjected to great tensions, and it could not be otherwise when it sees policies which it has long criticised being pursued. Until now, unity has been preserved by the general expectations in the Lula government and by the force of the long trajectory of the PT's identity with social struggle. But, on the other hand, threats to a democratic process of discussion have already appeared.

For opposing the selection of Meirelles, senator Heloisa Helena has been threatened with sanctions by the ex-president of the PT, Jose Dirceu (in the end, the new president, Jose Genoino, allowed an agreement through which the senator absented herself for the vote on the president of the Central Bank without being sanctioned). Although in the terms of the constitution it is up to the senators to debate and designate the president of the Central bank, the senators of the PT were prevented from doing so. Meanwhile, the position of Dirceu in the episode was criticized by diverse sectors of the party.

## The two souls of Lula's government

---

The limitation of debate and restrictions on democracy do not favour unity, above all when there are questions under discussion which are much more directly relevant to the social base of the party than the appointment of the president of the central bank. For example, pension reform and labour legislation, and the formation of the FTAA. Although of smaller popular impact, the question of the autonomy of the Central Bank is extremely controversial. Will there be space for a broad debate on these and other questions?

The big question is: will the conservative orientation that has prevailed in the economic area be consolidated? If it is, will the unity of the PT survive such contradictions? Or, putting the question another way: can Porto Alegre and Davos coexist indefinitely within the PT? The orientations of this government are not defined a priori. They will be defined in the course of a process of political and social struggles, in which the defence of change will be supported by the entire trajectory of the PT, by its historical identification with the popular interests, and by the fundamental message of the election.

---

[1] Brazil is a federal republic, with 26 states and a federal district. The president is elected by universal suffrage over 2 rounds, every four years, and can select and dismiss ministers (they are not responsible to Parliament) but cannot dissolve the assembly. The bicameral parliament is made up of a Chamber of Federal Deputies (513 members, elected for four years) and a federal Senate (81 members, elected for 8 years). The political system in the states is similar.

[2] Speech, January 2, 2003.

[3] Speech, December 27, 2002

[4] Speech, December 27, 2002

[5] Speech, December 27, 2002

[6] Speech, January 7, 2003

[7] Speech, December 27, 2002

[8] Speech, January 7, 2003

[9] Speech by Lula, January 1, 2003

[10] Speech, January 2, 2003

[11] Speech, January 2, 2003

[12] Inaugural speech by Miguel Rosseto, January 2, 2003

[13] 'Jornal do Brasil', January 5, 2003.

[14] Inaugural speech, January 1, 2003.