

# THINKING BRAZIL

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A Newsletter of BRAZIL @ THE WILSON CENTER

## Brazil Elects a New President *What lies ahead for Lula?*

The recent Brazilian Presidential Election captured an unprecedented level of attention from the international community. What were initially described as economic ripples stemming from the possible election of a leftist candidate, swelled to whitecaps as Luis Inácio da Silva (Lula) took the first round of the election and the *real* sunk to an all time low. Lula's second round victory has ended speculation on the outcome, however many new questions have emerged. How will the new administration calm investors and guide Latin America's largest economy out of crisis? What lies ahead for Brazil's domestic and foreign policy?

At a October 31st Working Group meeting **Susan Kaufman Purcell**, Vice President of the Americas Society / Council of the Americas and **Simon Schwartzman**, Director of the American Institutes for Research in Brazil helped to clarify these questions and led a spirited debate on the prospects for Lula's, who will replace Fernando Henrique Cardoso on January 1<sup>st</sup>, 2003.

Susan Kaufman Purcell began by noting that concerns regarding Lula many of which were raised by the financial markets, were largely overstated. Despite Lula's leftist discourse and past activities as a union activist, she felt that he had been very clear in respect to international contracts and continuation of efforts to maintain inflation control. Additionally, Susan reminded those concerned with Lula's historical ideology that Fernando Henrique Cardoso was never a candidate of the "right" and had undergone significant changes prior to and during his administration. She sees three key challenges for the establishment of his

administration: pressure from state governors to have their debts the central government renegotiated meeting the expectations of the poor raised by his campaign assuring support from a divided Congress (much more so than Cardoso's Congress).



Regarding US-Brazil bilateral agenda, Susan was optimistic about the relationship between presidents Bush and Lula, because of their respective identifications with working class citizens. Certainly, a key issue in the bilateral agenda will be Lula's currently negative position towards the Free Trade Area of

Americas (FTAA). Although Lula has clearly been more in favor of Mercosul, Susan felt Brazil should not expect too much from this common market initiative, noting that there may be some room for negotiation regarding the FTAA.

Simon Schwartzman began by recognizing that despite harsh criticisms leveled against the current administration during the campaign process, Cardoso was

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able to accomplish important results. He successfully reorganized state administration, implemented the law of fiscal responsibility, developed a privatization program, and championed agrarian reform. In addition, credit should be given to his programs aimed at the poorest segment of population; Simon stressed, "It is not true that the poor are worse off." Nevertheless, he failed to promote rapid economic development—one example is the financial crisis in 1998 which was a culmination of financial pressures caused by the *real* being unrealistically overvalued. Cardoso also fell short in fighting crime and providing for public safety.

Simon highlighted the track record of Lula's party, the *Partido dos Trabalhadores* –PT (Workers Party) underscoring its origins within labor unions which have never placed it on the traditional left. As a political party, it has accumulated good administrative experience in running small towns and some state administrations, which have proven to be less vulnerable to corruption than similar administrations run by other more traditional parties.

Although Lula won the Presidency in a landslide, the extraordinary victory of the PT should be qualified, however, as the PT lost Governors' and

other state level races in all the major states. Lula's victory came as a result of both a high quality political campaign and an overwhelming desire in the population to react against the *status quo*.



Schwartzman believes that Lula will emphasize job creation and social programs. The PT should also have the political latitude to pass a new industrial policy and will be in a good position to change anachronistic labor laws, but will likely halt privatization programs. Simon added that a compass for Lula's direction will be his position regarding four important issues: the renegotiation of the state level debt, the reduction of interest rates and the increase of the minimum wage as well as the salary of civil servants.

Simon concluded by considering three possible scenarios. He believes that "Lula will not be a new Chavez," nor "a new De la Rúa." In the end, PT will support Lula in conducting an administration "a la Felipe Gonzalez," based on intensive negotiation and continued modernization of the Brazilian state.



### News from Brazil @ The Wilson Center

— Art at the Center —

The Brazil Project was privileged to exhibit six sculptures of Spanish-Brazilian artist **Margarita Farré** during the Working Group meeting on October 31st. Her works, in polished and patinated bronze, were a highlight of the meeting. Our thanks to Professor **José Neistein** (*above center*) from the Brazilian American Cultural Institute for allowing us to display these fascinating pieces.

*Thinking Brazil* is a publication of **Brazil @ the Wilson Center**. This project is founded on the conviction that Brazil and the U.S.-Brazilian relationship deserve to receive better attention in Washington. Brazil's population, size, and economy, as well as its unique position as a regional leader and global player fully justify this interest. In response, and in keeping with the Center's mission to bridge scholarly research and public action, **Brazil @ the Wilson Center** sponsor activities designed to create a "presence" for Brazil in Washington that captures the attention of the policymaking community. **Brazil @ the Wilson Center** is grateful for the support of the Ministry of Culture of Brazil, ADM, Cargill, Chevron-Texaco, FMC, and GE Fund.