

BRAZIL'S BOOM

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Brazil is making the grade: The economy is doing just fine, and consumer spending is growing. Thanks to its numerous natural resources, its enormous spread of cultivated land, and the slow but steady renewal of its manufacturing industry, the country today offers a rich assortment of goods that are in great demand and command high prices worldwide. Export figures are in the black, and the country's foreign-currency reserves outweigh its debts. Especially in Brazil, the economic situation critically influences the general condition of the country.

Materialism has arrived in Brazil where it is welcomed with open arms, particularly as the government is anxious that the poor should benefit from the encouraging macro-economic trend. Many Brazilians are convinced that their country owes its recent achievements mainly to its President, Lula da Silva.

And indeed, Brazil's economic development in 2007 cannot be described as anything but positive. The country's domestic product grew, agriculture and industry expanded, families increased their consumption, and investments were stepped up. Foreign indebtedness declined, unemployment figures came down, and the country's foreign-currency reserves markedly exceeded its foreign debts early in 2008. The exchange rate of the national currency reflected the strength of the domestic economy. The retail trade expanded, and the tax revenues of the state soared.

Right at the beginning of his second term of office, President Lula announced a 'growth acceleration programme' (PAC). Related measures aimed at expanding the transport infrastructure, the generation of power, the water supply, and urban rehabilitation. Soon afterwards, however, nothing much was heard of the ambitious plan for which investments totalling 503.9 billion Reais had been earmarked: On the one hand, designing its constituent projects proved difficult, while on the other, Congress was reluctant to give its consent. The person in charge of implementing the programme is Dilma Rousseff, the minister at the head of the presidential office whom many see as Lula's favourite for his succession, having already been praised by the President as the 'mother of the PAC'. In political terms, the PAC is crucial for the government: Should it succeed, the ruling Workers' Party (PT) will have a good chance of emerging victorious in the coming presidential elections.

There is no mistaking the fact that Brazil is anxious to redistribute wealth. In 2003, the President made it his personal concern to improve the living conditions of the poor through a variety of programmes. Next to the family grant *bolsa familia*, these include income support payments which are improving

the situation of 11.5 million families, enabling them to jump the poverty line. Increasing the minimum wage is another initiative of considerable weight that also affects the future development of pensions, taxes, and social-insurance contributions.

Late in February, a good six months ahead of the elections, Mr Lula presented another social programme: 'Civic areas' mainly aims at overcoming poverty and social underdevelopment in the countryside. Intended to supplement the *bolsa familia*, the project focuses on regions with numerous smallholders and agrarian reform projects. Twelve billion Reais are to be spent on promoting schools, health outposts, hospitals, rural education and training, birth care, water and sewage systems, dispensaries, and so on.

Given the success of his economic and redistribution policy, neither the President's great popularity nor the good ratings given to his government are in any way astonishing. Theoretically, Lula and the Workers' Party might as well relax and wait for the elections to happen. However, an open question remains: As the constitution forbids a third term of office for Lula, and as the President is not trying for a corresponding constitutional amendment, the search for a suitable successor is now on within the PT.

For the moment, the public gaze is focusing on the local elections at the end of 2008, the main point of interest being the mayoral elections in São Paulo that were last won by José Serra of the PSDB. These elections are important because they throw light on the internal condition of the PSDB and the state of its coalition with the Democrats. As the presidential candidate of the PSDB, Mr Serra intends to continue the coalition with the Democrats. For this purpose, he would be prepared to refrain from fielding a candidate of his own party for the office of mayor of São Paulo so as not to jeopardize the re-election of Mr Kassab, a Democrat. While Kassab himself would like to be re-elected, he is unpopular. Moreover, opinion polls reveal that he hardly stands a chance against the former governor of the city, Gerardo Alckmin, who is currently without a political office. In Rio de Janeiro, where the popular mayor César Maia, a Democrat, is not allowed to stand again, the coalition between the PSDB and the Democrats is threatening to collapse. And in Belo Horizonte the PSDB governor Aécio Neves is negotiating with the PT about naming a joint candidate.

Scandals about corruption and the misappropriation of public funds are commonplace in Brazil's political life – something to which citizens do not pay much attention any more. Early in 2008, however, two scandals made the public sit up and take notice. The first case that caused much talk involved the misuse of credit cards by members of the government and their assistants. It emerged that diverse ministries and other institutions had for years been using so-called corporate credit cards to pay for current expenses, em-

ploying them on a grand scale because payment reviews were lax. The other case involved dubious remissions made by the Minister of Labour to organizations that are related to his party, the PDT.

President Lula's key project for this year is the tax reform. In concrete terms, it envisages a kind of federal value-added tax to replace a number of existing taxes as well as a sales tax (ICMS). Furthermore, it aims at exempting the 'shopping basket' from taxation, gradually reducing corporate social insurance contributions and, at a later date, relieving the burden on the middle class by reducing tax progression.

Although Brazil's electronic voting system works quite well, there are still cases of fraud in which votes are bought or public offices are abused to influence voters. After the elections of 2006, proceedings were instituted at the Supreme Electoral Court against eight governors and more than a thousand members of the federal and state parliaments. Now it appears that the case against the governor of Santa Catarina is about to be dropped, a move against which many organizations protested because it is regarded as a precedent, including the National Bishops' Conference, the movement against electoral fraud, and the national association of judges and public prosecutors. Others are concerned because they think that the Lula government is closing the gap to the judiciary, the reason being that the incumbent President has appointed 41 Supreme Court members so far and is planning to appoint more.

Another issue with judicial connotations is the debate about stem cell research, where it appears likely that the courts will decide in favour of the government. Whereas research so far has been subject to strict legal restrictions, the country's leaders are aiming for a more liberal approach. Should the Supreme Court rule in favour of liberalization, this might be a go-ahead signal for others, including those who advocate more liberal abortion regulations.

The energy question represents an important issue in the country's foreign relations. Brazil's growing energy demand and the increasingly tough competition for energy sources recently occasioned a conflict with its neighbours, Argentina and Bolivia. On a visit to Argentina, for example, President Lula was confronted by his local counterpart, Mrs Kirchner, with the request that his country should forego part of the gas it receives from Bolivia so that deliveries to Argentina might be stepped up. Bolivia is contractually obliged to deliver 30 million m³ of gas to Brazil every day. Mr Lula refused to comply with Mrs Kirchner's request, arguing that his own country's energy needs were paramount. Ultimately, Argentina's and Bolivia's problems came about because they missed a number of opportunities in the last few years. Moreover, they show up the limitations of a populist style of government: When

complex matters are discussed at a ‚kaffeeklatsch‘ rather than being tabled in serious negotiations, there is little hope for sound results.

Brazil’s defence policy is on the move as well. The minister in charge, Mr Jobim, is planning a pay increase for the military. In addition, he intends to post representatives of all three services as military attachés to, if possible, all his country’s embassies. Lastly, he plans to renew the equipment of the military through the purchase of fighter planes and a nuclear submarine and to initiate a technology transfer.

Relations with the EU, which has come to regard Brazil as a ‘strategic partner’, are close, although they are occasionally plagued by controversy. Thus, for example, the Europeans imposed an embargo on meat imports from Brazil a short while ago because the Lula government failed to comply with its obligations to report on livestock farming.

Without a doubt, Brazil’s development status at the beginning of 2008 commands respect. ‘É a vez do Brazil’ (It is Brazil’s turn now) – this is what people say occasionally, and they say it ever more confidently.

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