

# Brazil's Lula Tries To Live in Two Worlds

by Silvia Palacios and Lorenzo Carrasco

Forming President Luiz Inácio Lula da Silva's government, by trying to please Greeks and Trojans alike, has led to what might be dubbed a "tutti frutti Cabinet," with representation of every political flavor imaginable. Here, just as in his inaugural address, can be seen the different universes in which the new Brazilian government seeks to simultaneously exist, above all in the astonishing omission of any reference to the world systemic crisis, thus conveying the absurd fantasy that it were possible to resolve Brazil's grave social and economic problems *without* altering its relationship of servitude to the disintegrating International Monetary Fund (IMF) financial system.

The make-up of Lula's Cabinet has received great international attention, because it was considered a key indicator of what Brazil intends to do with regard to its astronomical foreign debt, the largest in the developing sector (*EIR*'s estimate places the real foreign debt at \$500 billion).

Lula's overwhelming election victory in October 2002 was an undeniable rejection by the voters of the neo-liberal policies of globalization imposed by President Fernando Henrique Cardoso during his eight years of government. This tragic period could be summed up by the fact that public assets, physical and financial, and national income, both public and private, were totally enslaved to the world financial

oligarchy. The state became a mere tax collector for that oligarchy.

## The 'Tutti Fruti Cabinet'

The Lula government continues to be trapped in this world of globalization, trying to satisfy its two great underlying tendencies. On the one hand, the government reaffirmed its commitment to the austerity policies of the International Monetary Fund, naming as Finance Minister the former Trotskyist Antonio Palocci, who now shows a neo-liberal bent; and as president of the Central Bank Henrique Meirelles, the former president of the Bank of Boston internationally.

On the other hand, obeisance is also given to the forces of the World Social Forum, an amalgam of non-governmental organizations (NGOs) which, despite their Jacobinism and anti-globalization rhetoric, nonetheless respect the anti-sovereignty rules imposed by globalization against the nation-state, merely attaching the label "globalization with solidarity." These are the same forces that come together in the São Paulo Forum, created in 1990 by Lula's Workers Party (PT) and by the Cuban Communist Party, to assemble the diverse forces of the left after the fall of the Berlin Wall, and to prevent the isolation of the Castro regime. This latter sector is represented in the new Cabinet by Sen. Marina da Silva, champion of the international NGOs, named to head the Environment Ministry; by Miguel Rosetto, a close ally of the radical Landless Workers Movement (MST) and leader of the international organization Via Campesina ("Peasants Way", named Minister of Agrarian Development; and former Rio Grande do Sul Gov. Olivio Dutra, leader of the most radical factions of the PT, named to head the Ministry of Urban Affairs.

Another set of nominations falls between these two extremes. This is the case, for example, with the former Mayor of Pôrto Alegre, Tasso Genro, who will head a new government agency, the Ministry of Economic and Social Development.

This governmental set-up is being handled by President Lula's domestic Cabinet, primarily centered in the all-powerful José Dirceu, who heads the Civil Cabinet of the Presidency, which is a Cabinet post, and José Genoino, president of the PT. It is also worth taking note of the importance of the leading figure of Liberation Theology in Brazil, Frei Betto—spiritual adviser to President Lula—who was officially named a part of the President's advisory team.

The central paradox faced by the new government derives from the fact that a change of economic policy which responds to the enormous expectations created by Lula's election, presupposes an interruption of usurious financial flows; a confrontation with the policies of globalization; a return to protectionism; at the same time that it will be imperative to control the mass of Jacobins of various ideological shades who are in much of the structure Lula's own political party.

But, instead of this, the new government has the illusion that a continuity in the prevailing monetary, financial, and fiscal policies, will give it the economic and international political space to govern, and afterward, it will attempt a change in policy. As part of this plan to buy time, the government launched a social program which promises to end the scourge of hunger, but without going to the roots of what is producing hunger and misery in Brazil. Symptomatic of this situation, is the announcement by Finance Minister Palocci that he will continue the IMF's policy of fiscal austerity, allegedly in order to finance the government's "Zero Hunger" program.

The international financial oligarchy, aware of the nature of the crossroads facing the Lula government, has opted not to force an immediate financial confrontation, as it has done with Argentina. The first quarter of 2003 will be a period of tremendous political pressure, but the conditions will be created for Brazil to be able to continue refinancing its debt. But by April and May, vast payments on the debt will be coming due, which could very likely lead to an explosion such as that which occurred in Argentina a year ago.

### **The Institutions of Government**

Outside the political dynamic imposed by the world of globalization, within the Lula government there are institutional sectors that represent the defense of the legitimate national interests in the areas of agriculture and industry, and in foreign and military policy. With regard to these, the Lula government has opted to give institutional continuity to the South American integration initiative, begun in September 2000 after the total failure of the so-called Millennium Round trade negotiations in Seattle, Washington. It is clear that Foreign Minister Celso Amorin, along with the Foreign Ministry's General Secretary Samuel Pinheiro Guimarães, are representatives of an independent foreign policy, with clear reservations about the Free Trade Area of the Americas (FTAA). This group seeks to strengthen the political alliance with Argentina and the Mercosur group of nations, as the motor of South American integration, and to open relations with the strategic Eurasian triangle—Russia, China, and India—as well as with South Africa.

Brazil's diplomatic initiative toward Venezuela, seeking to break the scenario of conflict between the demented radicalism of President Hugo Chávez, and the intransigence of opposition leaders backed by Washington, reflects this intention to maintain an independent foreign policy.

This same approach was taken in the choice of Ambassador José Viegas Filho as Defense Minister, a choice which, despite some pockets of resistance, has thus far avoided a politicization of defense policies. Lula took care to choose the commanders of the three military forces with strict respect for rank, with the purpose of avoiding any friction with the Armed Forces.

Military policy will be one of the key areas in which the true nature of the government will be determined, because President Lula will have to define what his policy will be toward narco-terrorism, the sovereignty of the Amazon region (especially in the face of foreign interventions from the complex of environmentalist and indigenist NGOs), and the Armed Forces' programs for developing the most advanced technologies.

It is important to note that the new government is considering continuing to use the Armed Forces in various social and economic programs, in which the Armed Forces have always participated. For example, the idea has been presented that the Army's engineering battalions could lead an effort to rebuild infrastructure and transportation logistics throughout the national territory, which could mean the modernization and expansion of the already traditional engineering corps. But this cannot mean doing away with the Armed Forces' fundamental role of defending the country's full sovereignty, as has been the intention of both currents of the globalization lobby—neo-liberal and leftist.

Despite the enormous expectations and vast popular hopes created by Lula's election, for the moment, this is where the matter presently stands.