

## Brazil: The Predicament of Dependency, Stagnation and Social Disintegration

On the eve of the third millennium, Brazil is beset by restrictions. While possessing the economic, cultural and even technological foundations for development, the country is also in a position of losing its economic autonomy and risks sacrificing its most crucial element: political independence and national identity.

Brazil began as a European colony, first belonging to Portugal and later dependent on London. During the last fifty years, the country has experienced a long growth period. However, the consequence of this economic growth process has been a concentration of income. Brazil now boasts the unenviable position of having the worst income concentration index in the world and is ranked 79 in the United Nations' Human Development Index.

Brazil experienced thirty years of dictatorial regimes in the middle of the 20th century. Contrary to other European countries, it stopped making even minimal democratic reforms in the areas of politics, tax and agriculture. It was incapable of solving problems such as the drought suffered in the Northeast of the country. Two thirds of the population became concentrated in cities and metropolitan areas where today people live in fear and insecurity, the product of a dependent and exclusive development model. A third or more of their inhabitants do not have access to public services such as health, education, basic sanitation and safety. The seriousness of Brazil's situation at the end of the century is expressed by the growth of social apartheid and political instability which have again taken control of the country. In addition to reinforcing injustice, Brazil's model of economic growth is ecologically unsustainable.

Brazil is ranked eighth as an industrial economy, has the fifth largest land mass and the sixth largest population in the world. It is among the twelve countries world-wide that have basic industry as well as modern agroindustry. Brazil's uni-

versities are excellent centers of scientific and technological research and the country has one of the last remaining agricultural frontiers. Its mineral resources and the biodiversity of the Amazon Basin are renowned. But the great challenge Brazil faces today at the turn of millennium is to prevent globalization from aggravating the country's social, cultural and political inequalities. The hope of meeting the challenge hinges on a democratic revolution.

### Social and Political Decay

Today, Brazil suffers from economic stagnation, political instability and extreme inequality. This has been a result of the country's dependent and subordinated inclusion in the globalization process and its loss of political and economic autonomy. The entrepreneurial and political elite and Brazil's governing conservative coalition completely lost sight of national direction by increasing the country's debt and allowing its economy to become totally dependent on speculative capital. Privatization, along with the opening and deregulation of the Brazilian economy, denationalized the country's assets, and to a certain extent initiated a cycle of de-industrialization which aggravated Brazil's regional and social inequality. The same predicament had already been witnessed in Argentina. It caused a surge of unemployment, violence and an unprecedented increase in crime, exacerbated by the failure of public security systems and the Federal Police Force. The social problems put the country's future at jeopardy as they leave no place and no prospects for the majority of young people.

In addition, the social and cultural gap between the country's minority (10% of the population), in which half the national income is concentrated, and the majority is becoming ever wider. At the same time, public services are being dismantled

and Federal social expenditures cut. In the last ten years, Brazil has witnessed a gradual increase in taxes and prices of services which were formerly public and are now privatized, while public funds were deviated to support capital owners. »Unemployment benefits« are available only for a minority of workers.

Governments come and go, and the country still has not organized a policy to fight poverty and achieve food security. Hunger continues to affect more than a third of Brazil's population, particularly children. What Brazil needs is income redistribution on a large scale through a new wage policy, broad agrarian reform and tax reforms. Apart from exempting production and exports and simplifying the system, these reforms should tax endowments, large fortunes, inheritances and donations – the real wealth reserves. The country risks losing the legitimacy of its political institutions, especially the Judiciary and Legislature. However, the urgently needed response will not be forthcoming from the indifferent and compromising attitude of most of the elite groups, which are rife with corporate privileges and corruption.

Brazil's political system is the result of a democratic victory in the fight against dictatorship. The 1988 Constitution enabled the country to regain the right to elect its leaders. It restored independence and autonomy to the Judiciary, full powers to the Legislature and all constitutional guarantees and rights to the citizens. However, ten years later, Brazilian democracy is losing its legitimacy and representativeness. Immediate and far-reaching electoral reform is required to deal with such problems as the influence of money, vote buying, media manipulation, use of the government apparatus in elections and the political parties' lack of representativeness. The introduction of re-election for the offices of President of the Republic, State governors and chief magistrates was a fatal blow to a system that was already characterized by party disloyalty and the influence of economic power, itself a consequence of the lack of public campaign financing.

The current crisis of the Judiciary, besieged by inefficiency, nepotism and accusations of corruption, coming on top of a wave of corruption charges in local governments, could deal the final blow to the credibility of Brazil's political institu-

tions. It could trigger a process of radicalization on the one hand and of wide-spread political abstention on the other.

## **The Need for Profound Reforms**

History and current conditions suggest that Brazil's future is linked to its dependence on the capitalist West. However, Brazil is a well-endowed country with all the socio-economic conditions necessary for a sustainable national development process. Brazil's dependence on foreign, mostly speculative, capital is the product of the country's foreign and internal debt and the growing protectionism of developed economies: these are obstacles that have to be overcome. At present, Brazil cannot do that. The country needs access to capital, markets and technology for its development but it must also regain control over its economic decisions and keep developing its internal market.

Without a major political reconstruction, a thorough reform of the tax system and a dramatic shake-up in income distribution, Brazil's prospects for the next decade are bleak: a further aggravation of the current social and political crisis.

Brazil has the internal conditions necessary to modernize its infrastructure and industrial outfit, develop its agroindustry and generate a growth cycle supported by the internal market and the resolution of its main social problems. This growth cycle would be based on the expansion of its consumer goods, construction, agro and tourism industries. Its principal agents would be small and medium-sized enterprises. However, such a program could only be accomplished if the problem of external and internal indebtedness were solved and income redistributed.

Linking Brazil's destiny to the G-7 countries puts national sovereignty at risk and jeopardizes the country's future. Continuing the current economic model can only exacerbate Brazil's social, environmental and public safety problems over the next 10 years, as it has been doing over the last two decades. The system would increasingly lose legitimacy and the country would become increasingly ungovernable.

This is definitely not the view of the country's conservative entrepreneurial and political elite

groups. They are of the opinion that an open economy, privatization and foreign investments will boost productivity and guarantee sound economic growth over the next few years to the benefit of the country's social concerns. They consider the public deficit as the fundamental issue and the reform of the social welfare system as the solution to it. They do not fear the loss of autonomy and are not worried about our debts. They are confident that the ongoing process of global financial liberalization and market expansion would benefit Brazil.

Brazil's people, in turn, view the future with increasing pessimism. The popularity of the government and the President is steadily diminishing while his policies are increasingly rejected. Every day the population is more aware that it cannot continue to service its debt and that there is no solution to the social question, to unemployment and to violence.

### **The Need for a New Alliance For National Development**

But the country's agenda has changed. Brazil is no longer willing to remain silent and acquiesce to the status quo. A debate has started throughout the whole of society, including the government, on how the country can be extricated from its current predicament. We all know that a country the size of Brazil, with its abundant resources and its serious social and economic problems, cannot go on living with political instability, economic stagnation and growing social and cultural inequality.

For better or for worse, Brazil has undergone development over the last fifty years, even under the aegis of the thirty-year authoritarian regime between the »Estado Novo« and the military dictatorship, when inequality rose. But the country's political elite and middle class had a project of national development, they had class interests, cohesion, political will and national vocation. They never hesitated in taking and maintaining power, even to the extent of affiliating themselves with foreign capital, but they did not lose sight of Brazil's direction.

This is the major issue at the end of the century; everything else will be merely consequential to it: To what extent is the elite going to subject

Brazil's future to international interests? Such a situation can continue until dependence on foreign capital makes Brazil's social and economic development unfeasible and puts the nation's independence and cultural identity at risk. Society is beginning to become aware of this predicament. The government and its conservative coalition are losing support, even in sectors which have traditionally supported it, i. e. the middle class and small and medium-sized enterprises.

A new majority will be formed in Brazil along with various political alliances: on the right (Senator Antônio Carlos Magalhães, President of the National Congress, from the Liberal Front Party), on the center-right (Ciro Gomes of the Popular Socialist Party, who is also supported by parts of the Brazilian Social Democratic Party), and on the left, with the Workers Party (PT) leading the others, a contest was initiated to claim the majority and govern Brazil. Even the Popular Democratic Movement Party (PMDB) has attempted to gain its own political arena with Itamar Franco or Pedro Simon. Time is running out for the government of Fernando Henrique Cardoso. Witness the demonstrations by lorry drivers, farmers, the landless, the »March of the 100,000 for Brazil«, or the public demonstrations by the Brazilian Bishops and the Brazilian lawyers. Political opposition is turning into social mobilization.

This is the key issue: Do the conservative coalition and the elite alliance still have the support of society to continue implementing their plan? Or is a new majority forming in the society, offering Brazil a new government that will break with the neo-liberal project and begin a new phase of development?

The government will not change its direction. The President will maintain the current policy and the current economic model. Brazil will continue to depend on foreign investments and foreign debt, on agreements with the International Monetary Fund, reform of the social welfare system and the law of fiscal responsibility, i. e. on fiscal adjustment and monetary control. At most, this will imply a reduction of interest rates and compulsory banking requirements to appease pressures from the entrepreneurial class, but the model itself will not change. Brazil will go on privatizing, opening up the economy, financing transnational companies with public money and deregulating mar-

kets, including the labor market.

This means that Brazil will go on without growth, increasing its debts and interest payments, denationalizing the economy and losing its internal market to multinationals. We will have growing unemployment, greater concentration of income and more cuts in social spending. At most, there will be minor bouts of economic growth, all depending on Argentina, the United States, or perhaps China or Japan.

The other alternative is a new government that will carry out a democratic revolution in Brazil, implementing a program that is national, popular, social and democratic in character. This is something that the national elite did not and will not achieve. Such a democratic revolution would involve a major redistribution of income and comprehensive reforms in the areas of taxation, agriculture and wage structure. Moreover, there should be minimum income programs and plans to combat poverty as well as a national works and jobs program, with radical political democratization in the Executive, Legislature, Judiciary and cultural areas, including an ample participation of society in the control of the State.

This new government should resume control over social funds, putting them at the service of national development cum income redistribution. It should redirect resources into production, making them available for national enterprises, small and medium-sized ones in particular. Such a government would not be afraid to defend national interests, the internal market and employment. It would pursue an industrial, technological and foreign trade policy like they do in developed countries and it would renegotiate foreign and internal debts. It would use the power and the means we have on the country's behalf and would defend Brazil's interests on an international level against the growing protectionism of the G-7 group. This government would be capable of suspending privatization procedures and submitting those already implemented to auditing bodies and congressional investigative commissions. That way it would prevent denationalization and security risks with regard to strategic goods and services.

The government would subordinate monetary and fiscal policy to the recovery of economic growth and finance programs for the direct and indirect generation of jobs. It would reform the

financial system, reduce interest rates and even regulate foreign-exchange transactions in an attempt to stop the speculative flight of capital.

Brazil's main objective is the recovery of national development. This requires severing the country's current dependency on the dynamics of globalization and North American hegemony. Brazil has the socio-economic, political and cultural conditions necessary to break with the current situation of stagnation and regression brought about by its political and entrepreneurial elite and to lead a regional coalition. Brazil possesses an industrial, agricultural, technological and educational base. Its population has the socio-cultural conditions to develop into one of the world's greatest regions, with extensive natural resources, a large internal market and, most importantly, an emerging tropical civilization.

The needed economic and social transformations depend on radical changes in Brazil's institutions, changes that place the State under the control of society. Only a left-wing political front can bring about the necessary changes, based on the interests of the popular majority.

### **Frustrated Expectations**

At the end of the 1970s and the beginning of the 1980s, Brazil experienced profound political transformations, the product of social changes that had been occurring since the beginning of the 1970s. The rise of a strong democratic opposition in the middle class and the industrial workers' movement, illustrated by the CUT (Central Workers' Union Confederation), formed an alliance with a strong popular movement. It was supported by the Catholic Church and established conditions for ending the military dictatorship. It was also supported by an entrepreneurial sector that had grown during the military dictatorship. It upheld an economic program that still pictured Brazil as an autonomous nation with a national plan.

There were great hopes for profound democratic and social changes in the country and popular participation was strong in demonstrations for the »Rights Now« campaign and the Constituent Assembly. The country wanted democracy and achieved it.

Since the 1970s, the Brazilian Democratic

Movement Party (PMDB) was becoming consolidated as the opposition party to the dictatorship. It expressed popular sentiments and succeeded in uniting an intellectual and academic opposition in an alliance with major sectors of the entrepreneurial class. It constituted a synthesis of social, popular, nationalist and democratic opposition, offering an alternative for development with income redistribution.

However, the end of the dictatorship was marked by a compromise among the political sectors that had had stakes in the regime. The government born from this alliance, which was to be led by Tancredo Neves, never really existed. It was taken over by José Sarney, one of the leaders of the National Reform Alliance (ARENA), the party that legally confronted the dictatorship. His government acted as a barrier between opposing projects and failed after various attempts to stabilize the economy. At the same time the Constituent Assembly expressed the correlation of powers and interests of the alliance that defeated the dictatorship. It was shaped by the political and social pressure of the social movements, the Workers' Party (PT) and the left in general. Its actions produced a democratic charter in which the section on economic order was approved by more than 80% of the constituents. The 1988 Citizens' Constitution and the Cruzado Plan led to great expectations that Brazil would see the end of inflation and could look forward to economic growth and reduced social inequalities.

However, the rise of popular movements and the intensification of the economic crisis led the entrepreneurial elite to support and elect an opportunist, Fernando Collor de Mello, President of the Republic. The objective was to block the victory of a popular leftist candidate, Luís Inácio Lula da Silva. With Collor's victory, a «neoliberal» program was initiated in Brazil, and the 1988 Constitution turned into an obstacle to the breakup of monopolies and the democratization of the economy.

Lula da Silva's rise reflected a strong popular social movement that attempted, through the PT and an alternative program, »to be the government« in order to change Brazil's situation. Brazil still had enough democratic power to impose an unprecedented defeat on its elite classes. A broad popular and middle-class movement demanded

that President Collor be constitutionally blocked by an impeachment process after a Congressional Investigative Commission had proved that the President himself was involved in his government's corruption schemes. This was the country's second disappointment after the preceding disillusionment with the PMDB government. Brazil now discovered that the entire political and electoral process was dominated by illegal donations and criminal operations protected by political authority.

Once again, the elite supported a candidate against Lula da Silva, and on the strength of the »Real Plan«, Fernando Henrique Cardoso was first elected in 1994 and subsequently re-elected in 1998. Although the election of Cardoso and the Real Plan seemed to restore Brazil's hopes for better days, it had tragic consequences. Unemployment doubled and the country experienced a socially explosive situation that was unprecedented. Brazil increased its external debt by 100 percent to 500 billion dollars and accumulated an internal debt equivalent to the foreign one. Debt service obligations and the deficit of the social security system became unsustainable. Even though Brazil sold off its entire public assets, it did not reduce its debt nor did it invest in the nation's social and physical infrastructure. Moreover, while many industries did become modernized, the majority ran into debt and lost foreign and internal markets to large multinational groups. In short, Brazil's economy experienced the worst denationalization process in its entire history. Agricultural development came to a standstill, and apart from MERCOSUR, no external markets were acquired. The country's technological capacity floundered and no advances in the educational system were made.

The 1980s were described as Latin America's »lost decade«. However, the 1990s will be known as the »infamous decade«, because of its legacy of unemployment and social crisis. Its consequences in Brazil are more conspicuous than those experienced by Ecuador, Peru, Colombia and Central America. The dreams and expectations of the Brazilian people were destroyed in the 1990s. While the political and social consequences have not yet fully unfolded they are becoming visible in the emergence of wide-spread discontent, protest movements and popular revolts but also in the

fact that the political elite has become completely discredited and the country's political institutions have lost their legitimacy.

## **Defending Sovereignty, Resisting US Hegemony**

As time goes on, an increasing number of Brazilians realize that the globalization process and the so-called »Washington Consensus« have aggravated the social and economic problems of Brazil as well as of the rest of Latin America. International public opinion itself is becoming aware of the serious consequences the predominance of speculative financial capital has all over the world.

In the last 10 years, the left has not ceased to denounce the dangers and consequences of this process. It is only now that international bodies such as the International Monetary Fund and the World Bank recognize that poverty and social exclusion have increased world-wide. They also recognize that the unemployment problem has worsened and that hunger and above all a complete lack of protection for children and the elderly have increased globally.

In the Brazilian case, an additional aspect must be taken into account. Brazil is a tropical civilization and practically a continent. Its geopolitical and economic dimensions do not correspond to its global role, and the country cannot accept a continuation of the current global power structure. This is not a matter of winning a place for Brazil in today's world and the institutions that underpin the present economic world order. Brazil should not accept the current agenda of international bodies such as the Millennium Round of the World Trade Organization, which only serves to deepen the global hegemony of financial capital and of the United States. Neither can Brazil accept the militarized geopolitical approach of the United States. The United Nations, if they are not to become completely demoralized, cannot endorse such a practice as shown in the Kosovo on the part of major global powers. Brazil will request a more democratic United Nations and wants to take part – on this basis – in the decisions of the international community and assume responsibilities at a global level.

Unfortunately, Brazil's government and diplo-

matic policy are not up to the country's international tasks. In both the Colombian crisis and the tragic situation of East Timor, Brazil's conduct was less than admirable. The country's general understanding is that it should have assumed a protagonist's role, albeit through regional and international bodies. It is deplorable to see a people who share our language and culture literally being massacred without our government putting itself immediately at the head of a broad international movement in defense of the sovereignty of such a closely related people.

The Colombian situation is even more serious as it involves Brazil's national security and territorial sovereignty. The aspirations of the USA and part of the international community regarding the Amazon region are public and widely known. There are many statements which confirm their claims. Brazil urgently needs to develop and defend the Amazon Basin, to redefine its territorial distribution and to support sustainable and socially just development for its populations. Brazil's diplomatic conduct in the Colombian case is inexplicable and has endangered the country's territorial integrity. The US government has already intervened openly in Colombia's quasi civil war and skillfully manipulates activities in all directions in order to involve other Latin American countries. Brazil must not and cannot remain apathetic while being confronted with the dangers of involvement in a regional conflict.

Brazil has a historical and cultural obligation to Latin America. It is already a member and integral part of MERCOSUR. This means that the economies and interests of South American countries, particularly Argentina, Uruguay, Paraguay and Brazil, are already mutually obligated and dependent. Furthermore, it means that any decision in one country seriously affects the economy of another and has political and social consequences. For Brazil, such integration should not be enough. Brazil should promote the election of a Latin American parliament, it should promote the development of institutions of social and environmental protection and it should promote cultural integration.

Brazil has opted for MERCOSUR at the expense of the Free Trade Area of the Americas. It has opened its economy as no other country has done, and has initiated the so-called »reforms« recommended by the International Monetary Fund and

the World Bank. Today, Brazil is faced with a major crisis in its relations with Argentina given the artificial nature of trade relations between the two countries. In addition, there is the enormous trade dispute with the US and Europe, the result of genuine protectionism by these economies.

The growing agenda of protectionism on the part of industrialized nations can no longer be tolerated by Brazil and similar countries. Typically, such protectionism is dressed up as liberal rhetoric and liberalization measures in sectors dominated by these industrialized nations, primarily in the areas of finance, information technology and services. Accepting that agenda would jeopardize the development of our countries for the next few decades.

The International Monetary Fund, the World Bank and even the US Treasury are increasingly interfering with Brazil's political decisions. Demands to liberalize the Brazilian economy are becoming ever more direct. Brazil's economic decisions are monitored openly and pressure has been exerted on the national Congress.

But for some, the major issue that emerges is Brazil's dependence on speculative foreign capital, its debt and the denationalization of its economy, including its financial system. An additional problem is the predatory nature of foreign investments which take advantage of Brazil's internal market without transferring technology and productive capital to the country, but aggravating its current account problem.

The country's dependence on the US and the international financial community is demonstrated by the submission of Brazilian diplomacy to US foreign policy and by the complete lack of initiative outside the North American sphere of influence. Obviously, that creates powerful and broad-based nationalist and anti-American sentiments in Brazil. As a consequence, there will be plenty of scope for dispute and conflicts between Brazil and the West over the next few years. These will occur not only in the areas of trade and technology but in the political arena as well.

At present, Brazil's military power betrays the country's economic weakness and the crisis in public finance during the last ten years. But sooner or later Brazil must push for a redefinition of regional and global power. Therefore, the country will have to modernize its armed forces and

increase its regional military power. US militarized geopolitics constitute a hidden threat to Brazil's sovereignty, primarily with regard to the Amazon Basin.

In Brazil, awareness is growing that the country needs to carefully examine its dependent and subordinate incorporation into the global picture. The feeling that Brazil's national interests are not being considered in the process of globalization is spreading.

The nations of the world will not be able to coexist with an economic system based on injustice, exclusion and militarized global power whose legacy include three billion human beings living below the poverty line, 102 countries that are poorer than 15 years ago and 1.5 billion people who do not have access to such a basic necessity as water. Brazil needs to assume its role in the world but to be able to do so it needs a democratic revolution which unites both people and country, regains autonomy for the nation and brings justice to its people. ◀