

CURRENT HISTORY

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Lula’s Last Year

KENNETH MAXWELL

As he began the last year of his final term in office, Brazilian President Luiz Inácio Lula da Silva was well satisfied. When he appeared on his radio program, “*Café com o Presidente*,” for the last time in 2009, Lula declared “The year . . . was more than good.”

It was an expression of contentment that few other heads of state would have been comfortable making. Certainly not US President Barack Obama, who, having navigated the worst economic downturn in the United States since the Great Depression, and still facing tough negotiations in Congress over health care legislation, was at year’s end facing sagging popularity ratings.

Lula, looking ahead in his broadcast to his final year in office—a presidential election will be held in October and a new president will be sworn in on January 1 of next year—said that he believes Brazil has much going for it. The economy is growing and employment is increasing, as is investment in infrastructure, and government programs are both supporting the incomes of the poor and tying assistance to education. The government, he noted, is considering new laws to administer the income expected from vast, newly discovered offshore petroleum reserves—laws that would guarantee substantial returns in the public interest.

All this led a confident Lula to declare in his broadcast that “I am more optimistic than any Brazilian citizen, and I am more optimistic now than I have ever been.” Whatever the grounds for his optimism, which are indeed considerable, certainly Brazil’s emergence as a major economic and political player in international affairs, together with Lula’s role in this achievement, is one of the more remarkable developments of the past decade.

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THE PERNAMBUCO PRODIGY

Lula himself is an unusual leader, and one of the few individuals of very humble origins to become head of any state. Born in 1945 in the interior of Pernambuco, in northeastern Brazil, Lula had little formal education. In 1952 he migrated with his mother and her other children to the state of São Paulo in the rapidly industrializing south of Brazil.

Like many other migrants from the northeast, Lula and his family arrived in the port city of Santos after a long journey on the back of an open truck. They found that Lula’s father, who had left Pernambuco for São Paulo shortly after his son’s birth, now had a second family. Lula’s mother soon moved out with her children, taking a small room in the back of a bar in São Paulo city.

By the time he was 12 years old, Lula was working as a shoeshine boy to help support his family. At 14 he got a job in a copper-processing factory as a lathe operator. At 19 he lost the little finger on his left hand while working in an auto parts factory. He became an active trade unionist, and went on to hold several important union positions. Lula married in 1969, but his first wife and his child died of hepatitis in 1971. Lula was married again in 1974, to Marisa Leticia, a widow. He now has three sons, and he also adopted Marisa’s son from her first marriage.

Lula was elected president of the Steel Workers Union in greater São Paulo in 1978, and he organized several large strikes against the automobile industries. In 1981 he was jailed by the military regime, spending 31 days in prison. As president of a union federation, he was a founding member of the Workers’ Party (*Partido dos Trabalhadores*). Representing that party, Lula ran unsuccessfully for the Brazilian presidency three times, the first time in 1989. But in 2002, on his fourth attempt, he won, and succeeded Fernando

Henrique Cardoso as president. Cardoso had changed the Brazilian constitution to allow for a second presidential term and Lula, following this precedent, was reelected in 2006.

The 2002 election of Lula was received with undisguised dismay by the financial and business communities at home and abroad. They feared a default on Brazil's sovereign debt. But the Lula of 2002 had learned several important lessons, above all the need to reassure those who distrusted him most. Before he took office he issued "a letter to the Brazilian people," saying in essence that he would sustain the economic model developed by the Cardoso government.

Then, immediately on taking office, Lula surprised most observers by implementing orthodox economic policies even more austere than those attempted by Cardoso. He promised, and then achieved and sustained, a primary budget surplus. In 2002 financial markets had been petrified at the apparent triumph of the Brazilian left; but by 2006 the growth in Brazil's gross domestic product was, for the first time in 50 years, greater than inflation.

THE LULA AGENDA

When Lula took office on January 1, 2003, his economic advisers felt that the pursuit of budget surpluses was essential—not just to reassure skeptics, but also because, over time, new international crises would inevitably emerge. When they did, Brazil would need financial reserves and credibility to confront them.

In this calculation the advisers were right. Indeed, Brazil's resilience in the face of the recent international financial collapse confirms that the country took the right measures at the right time. By January 2008, Brazil had become a net foreign creditor. By mid-2008, rating agencies had elevated Brazil's debt from "speculative" to "investment" grade. Critical in all this has been the role of Henrique Meirelles, a former CEO of BankBoston and the long-term president of the Brazilian central bank.

Lula has also put a comprehensive social agenda at the top of his priority list, and the success of measures he has pursued does much to explain his astounding popularity. (At the end of December 2009 his approval rating stood at over 70 percent.) In his year-end radio broadcast, Lula highlighted policies aimed at improving the everyday life of the least advantaged sectors of the population.

His overwhelming priority has been to make sure that all Brazilians have sufficient food to eat. The country's *zero fome* (zero hunger) program comprises a mixture of approaches involving, for example, the expansion of access to water cisterns in Brazil's semi-arid backlands, measures aimed at strengthening family agriculture, and the provision of minimum cash payments to the poor.

This approach was first developed under the Cardoso government, but Lula in 2003 expanded the program and eliminated administrative overlaps. The zero fome program accepts donations from the public and the international community. And one of its chief components, *Bolsa Familia*—a conditional cash grant initiative under which families become eligible for assistance if the children attend school and are vaccinated—is now internationally recognized as a model.

MARKET SUCCESS

The economy overseen by the Lula administration has emerged from the international economic crisis stronger than ever. Brazil began experiencing the global downturn later, and emerged from it earlier, than North America and Europe. Its banks remain sound and profitable. Domestic consumption is expanding and so is the middle class. The country's economy has diversified. Companies like Brazil Foods, JBS-Friboi, Vale, Odebrecht, and Camargo Corrêa compete internationally. Brazil has continued to develop beneficial relationships abroad, especially with China. In 2010 it is expected that economic growth will reach 5 percent.

Brazil has become a major agricultural producer. It is now the world's largest exporter of sugar, coffee, beef, and orange juice. Soybeans are Brazil's fastest-growing export—especially to China, which last year became Brazil's largest trading partner, surpassing the United States. Until 2002, two-thirds of Brazil's trade was with the northern hemisphere; since Lula took office, south-south trade and investment have grown. Brazil also exports aircraft, vehicles, iron ore, steel, textiles, and shoes.

The recent discovery of offshore oil resources has made Brazil a petroleum exporter for the first time. The discoveries promise to transform the country into one of the giants of global oil production, as offshore wells come on line over the next decade.

The dominant player in oil in Brazil is a state corporation, Petrobras. Since 1997, however,

when Petrobras's monopoly came to an end, major foreign companies have also been successfully involved in exploration. Foreign investment may become more important because the offshore oil finds in the Campos and Santos basins are very difficult to access, lying beneath a layer of salt, some 18,000 feet below the ocean surface off Brazil's southeast coast.

Brazil also has developed a thriving ethanol sector, with a large number of its motor vehicles adapted to use "flex fuel," a mixture of ethanol and petroleum. By 2020 it is expected that some 90 percent of cars in Brazil will be running on ethanol or an ethanol-petroleum mix. The internet, too, is rapidly expanding in Brazil—not so much via fixed lines, where access remains limited, but via mobile broadband, where expansion has been spectacular.

THE "TEFLON" PRESIDENT

For all of his pragmatic policies and the respect he has gained on the international stage, Lula has not lost his ability to surprise. When British Prime Minister Gordon Brown was in Brasília in March 2009, Lula told him that "white, blue-eyed people," not Indians or blacks, and not poor people, had created the economic crisis and spread it around the world. (Brown, taken aback, said he preferred not to attribute blame to individuals.)

Lula has long argued that poor and developing countries have been the victims of mistakes made by the richer countries. He also argues that the developed world should contribute to resolving the problem of deforestation in the Amazon region, where 25 million Brazilians live.

In the domestic arena, challenges remain, of course. The Brazilian political and judicial systems are dysfunctional in many respects. The interior, especially along the frontiers in the Amazon, remains a land where the gun rules. Imbalances in regional interests and power politics are well recognized, but extremely difficult to change. And the Lula government, or the Brazilian political system more generally, faces recurrent corruption scandals.

These scandals at times have come very close to the president himself. For example, his chief of staff, José Dirceu, was forced to resign in 2005 after he was accused of leading a scheme to

"buy" congressional votes. So far, however, Lula has been immune to the consequences of these scandals, and they have not affected his personal popularity. He remains what many in Brazil call the "Teflon" president, and his international prestige has only grown with time.

As the columnist Fernando Rodrigues observed recently in Brazil's largest-circulation newspaper, *Folha de São Paulo*, it is worth noting that this year Brazil will have completed 25 years as a democratic country. It is easy, Rodrigues wrote, to recall the many problems that the country has faced during this time—from hyperinflation under President José Sarney, to the impeachment of President Fernando Collor, to a manipulated auction of the state telephone monopoly during Cardoso's tenure, to the congressional scandals under Lula. The public is well aware of all this, and more recently has seen the release of videos showing politicians in Brasília stuffing their socks and underpants with wads of ill-gotten cash.

Yet, as Rodrigues pointed out, no question exists about the transparency that has come along with democracy. Brazilians now know what each congressional deputy spends on gasoline, travel, and restaurants. A long way remains to go toward mature and fully accountable institutions, Rodrigues concluded, but at least Brazil is on the right road.

As the end of his presidency nears, Lula is the international "star" of the moment.

THE YEAR AHEAD

Lula has chosen his candidate for the succession: Dilma Rousseff, a former guerrilla leader. Originally from Minas Gerais, she was imprisoned and tortured by the military regime, and later became a major figure in the Workers' Party in Rio Grande do Sul. Since 2005 she has served as Lula's chief of staff in the presidential palace.

Rousseff's likely opponent will be the current governor of São Paulo, José Serra, a US-trained economist who had a successful term as minister of health under President Cardoso. He became famous at the time for taking on the international pharmaceutical industry in an effort to provide cheap generic drugs for Brazil's HIV-positive population. Serra has long had presidential ambitions. He is a leader of the Brazilian Social Democratic Party and is close to Cardoso.

Whether or not Lula can transfer his popularity to Rousseff remains to be seen. Lula appears

to be constructing a presidential campaign alliance between the Workers' Party and the Party of the Brazilian Democratic Movement—a coalition more interested in who will win than in ideology, and in which the role of regional power brokers could predominate.

Meirelles is sometimes mentioned as a potential vice presidential candidate on a Rousseff ticket. And Sarney, the former president and now president of the Senate, as well as former President Collor, now a senator, are also major figures in this potential coalition. Brazilian politics at times makes for strange bedfellows.

The coming months may bring surprises. At the end of 2009, one unexpected development was the objection by leaders of the armed forces to a government plan to establish a “truth commission” to investigate human rights violations by the military dictatorship (1964–1985), still a sensitive issue both for the military and for many members of the former opposition. Lula must also decide on new equipment for the armed forces, another sensitive issue and potentially quite expensive. (French President Nicolas Sarkozy has lobbied successfully to sell French aircraft.)

The United States has been largely absent over the past year without an ambassador in Brasília. Obama's choice, Thomas Shannon, who had been President Bush's assistant secretary of state for interamerican affairs, was held up by a succession of objections by Republican senators, who put “a hold” on his nomination for reasons that had little to do with his merits. The United States will have much catching up to do in 2010.

“THE SON OF BRAZIL”

One development that no one expects is a decline in Lula's stature in the year ahead. Certainly as of now, he has defined himself as a formidable and pragmatic leader of his country. He also is an active participant on the international stage, where Brazil increasingly has made its presence felt on a variety of issues.

Under Lula, Brazil has expanded its diplomatic presence globally. It has assumed a prominent

role in international forums such as the recent UN Global Climate Conference in Copenhagen, and among the so-called BRICs (Brazil, Russia, India, and China), when they meet to discuss questions of mutual concern. And Brazil continues to play an important role within the Group of 20 and in international trade negotiations.

Brazil remains committed to a reform of the United Nations Security Council that would see that body more clearly reflect the world's distribution of power and influence. Brazil believes it deserves a place among the Security Council's permanent representatives. This aspiration may take some time to realize, but Brazil has long believed its area of influence is not restricted to the Americas. And during his years in office Lula has helped build a basis for expanded influence.

The Spanish newspaper *El País* and the French newspaper *Le Monde* in 2009 both named Lula their “person of the year.” London's *Financial Times*, in its end-of-the-decade assessment of the world's “most influential leaders,” included him

among its top 50.

Lula was chosen, the *Financial Times* said, because he is the “most popular leader” in the history of Brazil, and because of his “charm and political ability” and economic achievements, including low inflation and effective programs targeting low-income Brazilians. At the beginning of 2010, a feature film, “Lula: The Son of Brazil,” was released across the country. Some commentators found it overly laudatory, but the public flocked to see it.

As if to ratify this new euphoria, Brazil will host the World Cup in 2014, no small thing for a soccer-mad country. And Rio de Janeiro has been awarded the Olympic Games in 2016, making Brazil the first South American country to receive this honor. Both these events will pose major challenges for the country, but they also promise to bring massive investments in Brazil's infrastructure as well as a boost to national pride. In short, as the end of his presidency nears, Lula is the international “star” of the moment. No mean achievement for a former Brazilian shoeshine boy. ■

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