

Brazil and Lula: Year Zero

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Part One

Introduction

The election of Luis Inacio “Lula” da Silva raised great expectations on the center-left. For most leftist writers, his election heralded a new epoch of progressive changes which, while not revolutionary, defined the “end of neo-liberalism”. Noted progressive religious figures, like Leonardo Boff, announced imminent “change” which would challenge U.S. hegemony and lead to great popular participation. Frei Betto, a close associate of Lula, launched a vitriolic attack on critics who questioned some of Lula’s appointments citing his popular roots as a former metal worker and union leader a quarter of a century earlier. Left-wing members of the Workers Party, Olivo Dutra and Tarso Genero, appointed to minor ministerial positions in Lula’s cabinet called for the “disciplining” (expulsion or silencing) of a dissident PT Senator Heloisa who objected to the PT’s support for right-wing Senator Jose Sarney as President of the Senate. European, U.S. and Latin American progressives and leftists and their movements, NGO’s, parties and journals joined the celebration of the Lula Presidency, his “progressive agenda” and his “leadership in the fight against neo-liberalism and globalization”. While over 100,000 at the World Social Forum in January 2003 at Porto Alegre cheered Lula as a hero of the Left and precursor of a new wave of leftist regimes (along with President Lucio Gutierrez and President Hugo Chavez of Venezuela), some of Lula’s intellectual supporters (Emir Sader) pleaded with Lula not to go to Davos to plead his case for foreign investment to the world’s most rapacious speculators and richest investors.

In addition to the great majority of the left intellectuals, NGO'ers and politicians who aggressively and unquestionably support Lula as a new progressive force, the Brazilian and foreign financial media, international financial institutions (IMF, World Bank, Wall Street, City of London and prominent right-wing leaders like British Prime Minister Tony Blair and U.S. President Bush) praised Lula as a statesman and "pragmatic leader". In other words, big business, bankers and right-wing political leaders see Lula as an ally in defense of their interests against the left and the mass popular movements.

This essay will analyze and evaluate the expectations of the left and capitalist perceptions in light of political and economic realities. A rigorous evaluation of the Lula regime and his future trajectory follows several methodological procedures:

(A) An examination of the historical dynamics of the Workers Party (PT). The PT cannot be understood by looking merely at its origins almost a quarter of a century earlier. Political parties evolve over time, as do their relations to their original social base of support, sources of finance, party composition, membership in party congresses and internal structure as the classic sociologists Michels, Pareto and Weber pointed out a long time ago. In the case of the PT, the change in relation to the social movements, electoral processes and state machinery is crucial.

(B) The relation between the PT and national, state and local governments where it has held power. The PT has held the governorship in several important states (Rio Grande de Sul and Brasilia) and many mayoralty positions in large and medium size cities including Porto Alegre, Sao Paulo, Belem, , Florianopolis and dozens of others) prior to Lula's election as President. PT governments at all levels have evolved over the

past 25 years -- from social democratic to neo-liberal and play an important role in providing the ministers, functionaries and policies for the Lula government.

(C) The political-economic program of the PT has changed in very significant ways over the past decade and in particular during the run-up to the presidential election of October 2002. Uninformed enthusiasts for the Lula presidency, particularly overseas observers, refer to past PT programs that have no relevance to present policies and future priorities. A priori judgments, projections of deeply felt wishes, and excessive and irrational exuberance have clouded the judgment of many of Lula's domestic and overseas boosters with regard to his current socio-economic practices and priorities.

(D) The electoral campaign and, more important, the political alliances and economic pacts which accompanied it are important points of reference for a serious analysis and subsequent evaluation of the Lula regime. In the area of electoral campaigns what is most important is not the commonplace "populist rhetoric", "mixing with people", socio-economic promises of jobs and better living standards or even denunciations of neo-liberalism (this is standard practice of politicians of all stripes and colors since the late 1980's), but the socio-political alliances, visits to Washington and Brussels and economic pacts with the IMF and other 'power centers'. Equally important is the relation of electoral campaigns to ongoing mass struggles -- do the electoral politicians demand that the movements cease and desist from direct action in order not to frighten the business and banking elites or do they encourage and combine their electoral campaign with the ongoing mass struggles? The relation between electoral parties and mass movements and their struggles is an important indicator of the future trajectory of an electoral party when it comes to power.

(E) The “image” and “reality” of a candidate is an important indicator of the direction of the party and its future political course in government. Most electoral propaganda focuses on the past profile of their candidate, their humble origins, their past ties to popular struggles and their “plebeian” gestures; while this retrospective data is important, it is nonetheless compatible with a contemporary embrace of the power elite and transition to pacts with bankers and big business. What is crucial is where politicians are today and where they are going. Vulgar class analysis focuses on social origins, whereas rigorous class analysis examines class mobility, new class referents and adult political re-socialization. There are too many past and present cases of elected presidents who started poor and progressive and ended up rich and reactionary, to overlook this hypothesis in the case of Lula. The most recent case is President Toledo of Peru, who presented himself in peasant costume and as a former bootblack. He later received a doctorate in the U.S., served in the World Bank and subsequent to his election implemented a profoundly reactionary neo-liberal, IMF backed program repudiated by the great majority of Peruvians, including most of the poor voters taken in by his folkloric electoral propaganda.

(F) The identity, background and political-economic practices of the key ministerial and economic functionaries. Cabinet appointments are crucial in shaping policies and defining the class and national character of a regime. More specifically, the Finance, Economics, Agricultural and Foreign Affairs Ministries and the Central Bank determine the parameters and priorities of a regime’s social and economic policies. These ministries define the budgets and possibilities of other ministries. Given these

facts, what matters is not the number of ministers representing one or another political tendency, but the politico-economic outlook of the key ministries and the Central Bank.

(G) The politico-economic decisions in the first year of the regime and the structural policies, budgets, and alliances provide a practical, empirical basis to evaluate the direction of the regime - whither goes the Lula regime? The public economic priorities fixed by the President and his economic team with regard to the foreign debt, budget, ALCA, interest rates, the IMF, agrarian reform, pensions and labor legislation have a major impact on the social classes and define the present and future character of the regime.

Conceptual Clarification and Questions to be Addressed

Under Da Silva Brazil is undergoing a “Great Transformation”. The first dimension of this transformation is the conversion of the Workers’ Party into a government party of bankers and exporters. The PT and its President-elect have transformed the PT from a party of the working class into a party that reverses the most basic labor legislation; it becomes an enemy of labor, and friend of finance capital. The Brazilian economy is transformed from a powerful national-public mixed economy to a vassal state in transition to becoming the biggest neo-colony via ALCA. The third major transformation is in relation to IMF – Brazil has been converted from a critic of the IMF and its retrograde formulas into its most slavish disciple. The fourth element of the transformation is the conversion of the left in and around the PT from a critic of human rights violation, into an accomplice and ally of those classes and parties that practice human rights violations.

The “Great Transformation” involves the conversion of Da Silva’s slogan “zero hunger” into the reality of “zero employment”, “zero agrarian reform” and “greater hunger” – as billions of dollars in interest, profits and capital gains are shoveled into the coffers of the foreign and domestic rich. Brazilian politics at all levels is a subject and object of a great transformation. From a party of debate and dissent, the PT expels dissenters, centralizes power in a small clique around the personality cult of Da Silva that arbitrarily and ruthlessly decide all major decisions without debate or consultation. Expulsion of the Left and alliances with the Right; IMF-dictated austerity for the working people and massive subsidies to the agro-mineral exporters; no money for pensions, and overpayments to foreign bankers-- the PT has been transformed from a participatory multi-tendency democratic institution to one of the most centralized, personalized, authoritarian and ideologically dogmatic (neo-liberal) party in Latin America. Brazil, which for many years was an alternative pole for Latin American regional integration, has been transformed into the junior partner of US imperialism in implementing the re-colonization of Latin America.

Da Silva and his coterie has turned Brazil from a beacon of hope for structural changes throughout Latin America into a formidable bridge toward the most retrograde positions on the Right.

There is no question that the great transformation authored and executed by the Da Silva regime has a profound impact on Brazil, hemispheric relations, US Empire and the popular movements in Latin America. It is a transformation that greatly enhances the power, privileges and pillage of the most retrograde forces in Latin America and the US.

To understand the nature of Da Silva's "Great Transformation" several important questions must be addressed:

1. What are the myths and reality of Da Silva's socio-economic strategy?
2. What is the impact of that strategy on the class structure (income, power, property) and class relations (capital-labor, landlords-landless/family farmers) in the short and middle term?
3. What are the political relations and alliances that govern Brazil today? How do these alliances impact on the political spectrum and the axis of power? Who wins and who loses?
4. What are the government's political priorities? What does it claim as "successes"?
5. What is the Lula regime's impact on the Left? Has it opened space for left or pushed rightward advance? Has the leftwing adapted to or challenged the rightwing shift in party elite? Have the social movements or business/WB/IMF greater influence on budget, policy and priorities?
6. How has the "leftwing" (PT), social movements responded to the rightwing shift of the PT? How has the Left responded to Lula's rightwing policies?
7. What is the impact of the Lula regime on the international politics of the "left" and especially the "center-left" and NGO's? What has been their response? What was Brazil's position at the Cancun meeting and ALCA meeting in Miami? What about Brazil's role in the formation of the 'Friends of Venezuela' and other "international initiatives" on Cuba and Venezuela?

8. What has been the response of IFI, US, EU to Lula policies? The response of private investors? Has investment increased? What sectors (speculative versus productive capital), and in what form (privatization or new investment)? What are the overall investment trends in light of a shrinking domestic market (unemployment and lower purchasing power)?

Methodology

There are several very convincing arguments for considering the first year of the Da Silva regime as crucial in evaluating its policies and practices and making reasonable future projections and definitions of the nature of the regime. The first important consideration is the nature of the “economic team”, namely all the cabinet ministers and secretaries dealing with economic policy, plus the head of the Central Bank and the senior economic advisers appointed in year one, all have one common characteristic: They are staunch supporters of neo-liberalism, eager collaborators of the IMF and willing partners of the US in signing a slightly modified version of ALCA. Da Silva has expressed his full support for all of his economic team, their policies, priorities and projections for the next 4 years. Secondly Da Silva’s economic team has formulated an economic strategy to extend the policies of the first year into the next 3 years, including the 4,25% budget surplus, the regressive socio-economic income policies, the active pursuit of incentives and trade agreements favoring agro-export producers and free trade over agrarian reform, and promotion of small farmer producing for the domestic market. Moreover the regime has re-affirmed its policy of making the Central Bank independent of Congress and elected officials, and thus more easily influenced by foreign and

domestic bankers. President Da Silva personally endorsed the 3-year free market economic plan announced by Finance Minister Paolucci.

Da Silva and his economic team confirmed their rigid adherence to the IMF's regressive program in November 2003, with the signing of a new IMF loan. The strategic agreements with the IFI's and the guarantees given to overseas bankers, investors and lending agencies along with Da Silva's confirmation of his unconditional confidence in his economic team suggests that the orthodox neo-liberal policies of the first year are a strong indication of policies for the next 3 years. The alternative view taken by Da Silva's publicists, and some leftists within the PT that the first year was "atypical", is not based on any analysis of the concrete strategic financial and political alliances which the Da Silva regime has forged and publicly supported on repeated occasions in a great variety of political settings. Other Da Silva supporters implausibly argue that Da Silva has two plans, a "Plan A" and a "Plan B", an idea that the President has ridiculed. No supporter of this proposition has identified a single Presidential criticism of the current direction of economic policy, nor can they point to a single change in the economic team in the direction of social welfare, nor a single reversal of the neo-liberal policy to support the idea of an "alternative plan". Other apologists for Da Silva argue that "the failure" of the current policies (referring to economic stagnation and growing unemployment) will force Da Silva to "turn left". The problem with that "theory" is that the Da Silva regime believes that the first year was a great success in terms of his neo-liberal agenda: debt payments were met, financial stability was restored, interest spreads declined, investment risk was reduced and overseas investors and "markets" expressed confidence. It is clear that the "left" supporters of Da Silva do not

share his criteria for evaluating his first year in office and even less do they have the same expectations for the future. Finally there are those who claim that Da Silva has “stabilized” the economy in his first year in order to pursue “incremental reforms” which will gradually improve living standards, reduce unemployment and generate growth in the future, This view overlooks Da Silva’s strategic alliances with the right and the financial elites consolidated in year one, as well as the long-term, large-scale commitments to budget surpluses to pay overseas creditors and finance the elite exporters, which together define a policy hardly conducive to favoring income and welfare policies for wage, salaried and unemployed workers.

All the indications of early 2004 indicate that Da Silva is deepening and extending his neo-liberal agenda: In January he formalized an alliance with the PMDB, called for the privatization of major infrastructure works via large-scale state incentives to foreign investors and moved to dismantle existing regulatory agencies. (Financial Times, Jan 23, 2004, p.3). The transition from year one to year two establishes without a doubt a further move to the right.

The objections to seeing the first year of the Da Silva regime as decisive are thus unsubstantial at best and based on wishful thinking at worse. There is every reason, structural, strategic and political for considering year one of the Da Silva regime as a key for understanding the trajectory of the next three years.

Procedure

We will proceed by examining the macro economic and macro-social performance of the Da Silva regime and then proceed to analyze agriculture and agrarian

reform policies, as well as the economic beneficiaries and losers of economic policy. In this regard we will examine the impact of the regime's policies toward financial/speculator capital as well as on employment, income and pensions of wage and salaried workers.

Policy evaluation will be preceded by a discussion of the key economic policy-makers in order to make sense of the budget priorities and budget allocations that affected the socio-economic performance of the regime. We will argue that there is a demonstrable coherence and consistency between the class and ideological outlook of the key economic policy-makers and the policies that they pursued. More concretely we will argue that the priorities and parameters of the regime's economic and social policy were fixed by an economic team made up of big bankers, corporate directors and "free market" ideologues whose primary goals were to secure the interests of overseas creditors via budget surpluses and social spending reductions, as well as the export earnings from the agro-mineral export elites.

The regime's consistent and coherent pursuit of policies backing export and financial elites will be examined in terms of its impact on the ecology, hunger, native peoples' lands, the rural landless workers and human rights. Our hypothesis is that the regime's strategic commitment to maximize profits and interest payments to foreign investors and local agro-mineral elites has led to intensified degradation of the environment, greater dispossession of the native peoples, and to worsening hunger and landlessness among the rural poor. While we cannot provide a detailed and comprehensive response to all of these questions, we can provide concrete indicators and findings that allow for political evaluations.

There is little doubt that the Da Silva regime is carrying out a “great transformation”: For the few (foreign investors and export elites) the changes are a long-awaited bonanza, a great leap forward into wealth, influence and unparalleled access to the most lucrative market, richest resources and biggest public treasury in Latin America. For the many it is a great leap backward, not only in income, employment, land and protection of the environment and national patrimony but also a political loss - with the conversion of the principal political party of the working people into another instrument of the rich and powerful, leaving the people, for the moment, without any political representation.

Part 2

Historical Dynamics of the Workers Party (PT)

Contemporary publicists refer to the PT as a workers' party, based on its supposed ties to social movements and its deep involvement in class and other social struggles. This was the case at its founding over two decades past.

The most significant fact about the PT is its qualitative change over the last quarter of a century. Several essential changes have taken place in the PT: (1) relation to the social movements and their struggles; (2) internal structure of the party and the composition of the delegates to its Party Congress; (3) program and political alliances; and (4) style of leadership.

The PT, at its very foundation, was a party with a strong component of social movements -- landless workers, urban favelados (slum dwellers), ecologists, feminists, cultural and artistic groups, progressive religious and human rights activists and the major new trade unions, including metal workers, teachers, banking and public employees. The PT grew in membership and influence from its direct involvement in the movement struggles. The electoral campaigns largely complemented the extra-parliamentary struggles in the beginning. Over time and with increased electoral successes, the 'electoral' sector of the PT gained control of the party and slowly redefined its role as basically an electoral apparatus, giving lip service to the social struggle and concentrating its efforts inside the apparatus and institutions of the state, forming de facto alliances with bourgeois parties. A minority of the 'electoral party', the left-wing, continued to support the social movements -- from the institutions -- providing

legal defense, denouncing state repression and giving oratorical encouragement at the mass gatherings. What is clear, however, is that all tendencies of the electoral party, left, center and right, were no longer engaged in the day to day mass organizing, except prior to election campaigns.

The second basic change was in the composition of the party and the party congresses. By the mid 1990's the great majority of the party apparatus was made up of full time functionaries, professionals, lawyers, public employees, university professors and other middle and lower middle class employees. The 'voluntary activists' disappeared and/or were marginalized as the party turned from mass struggles to office seeking and wheeling and dealing with business groups and a diverse array of center-left to center-right parties.

The last Congress of the PT prior to Lula's election was overwhelmingly (75%) middle class, mostly functionaries, with a sprinkling of trade union, MST and human rights leaders.

Clearly the PT was no longer a "workers party", either in its composition, its delegate congress and in its relation to the social movements prior to the elections. Moreover, many of the elected officials of the PT at the municipal and state level were engaged in the same kind of cross-class alliances with business groups and bourgeois parties that the PT would follow in the presidential campaign of 2002 and once in power. In other words, the right turn of the PT at the national level was preceded by a similar pattern at the state and municipal level during the decade of the 1990's. More significantly, many of the key party leaders and subsequent advisers to Lula were already

practicing neo-liberal office holders, even as the national party program still spoke of socialism, anti-imperialism and repudiation of the foreign debt.

As the 2002 elections approached, the national leadership of the PT, with Lula leading the way, eliminated all the programmatic references to socialism and anti-imperialism, in line with the practices of the neo-liberal officeholders in the party and with the majoritarian support of the middle class party delegates.

The third significant change in the PT is the evolution of its program. Essentially the programmatic changes took place in four stages:

(1) During the 1980's, the PT stood for a socialist society based on assembly style democracy, linked to the social movements. The PT called for a repudiation of the foreign debt, a sweeping land redistribution with state financial, technical and marketing support, socialization of banking, foreign trade and national industrialization (with some sectors calling for the expropriation of large industries and others for worker co-management). These radical positions were debated openly and freely by all the tendencies (from Marxists to social democrats) who even published their own newspapers and dissent.

(2) Beginning in the late 1980's to the late 1990's, the PT moved to the right, the axis of power shifted toward a "social-democratic position" (support for a welfare state) while the Marxist-left continued as a strong minority-tendency. The social democrats controlled the increasingly middle class party apparatus, while the Marxists organized their opposition from within the same apparatus, few, if any, turning to mass organization to counter their growing weakness in the party machinery. While the formal program still retained the earlier radical demands, in practice most of the newly elected governors

and mayors did not challenge existing property relations. The radical wing of the elected officials in Porto Alegre introduced the notion of a “participatory budget”, involving neighborhood committees, but failed to municipalize any essential services, including transport, or stimulate land occupations or the demands of landless workers. Moreover, the participatory budget was based on the funds allocated by state and municipal regimes, which established the overall budget priorities. Politically, this meant that even the radical PT learned to co-exist and cooperate with the established banking, industrial and real estate elites.

This meant that the debate between the minority Marxist and dominant social democratic wings of the PT was over programmatic language, while the differences of practice between them were in fact quite narrow.

The third phase of the PT, roughly between the end of the 1990's and the run up to the elections, saw a further shift to the right in programmatic terms. Even the rhetorical references to Marxism, socialism and foreign debt repudiation disappeared. The party leadership was in full transition to social liberalism -- combining anti-poverty populist rhetoric with the pursuit of alliances with neo-liberal business, banking and agro-export elites. During the election campaign, Lula repudiated a referendum on ALCA organized by the MST, sectors of the progressive church and other leftist groups. Instead, the PT called for “negotiations” to improve ALCA. The PT embraced a pact (June 2002) with the IMF and acceded to its dictates on fiscal austerity, a budget surplus to pay bondholders, reductions in public spending and respect for all privatized enterprises. The social aspects of this liberal program was the declaration in favor of a gradual agrarian

reform (of unspecified dimensions), a “zero poverty” agenda, providing family food subsidies, and land titles for urban squatters.

The final phase in the evolution of the PT’s program begins in 2003 onward as a presidential party. The PT government embraced an orthodox neo-liberal program. Despite promises of increased social spending, the Lula regime slashed budgets, imposed fiscal austerity, raised interest rates to attract speculative capital and negotiated with the U.S. to lower its trade barriers. In other words, for the Lula regime its differences with the U.S. concern converting Washington to a consequential free market economy. Most of the leftists around the world who see the victory of the PT and Lula as the advent of basic or at least important social changes benefitting the poor and redistributing wealth and land, base their views on long outdated images of reality. Over the past few years the militants who built the party through grassroots movements have been replaced by “neo-lulistas”, upwardly mobile functionaries, professionals with no history of class politics, who have joined the party to secure the perks of office and to facilitate business liaisons. What remains of the older reform social democrats have been shunted to marginal ministries or, if they dare to question the neo-Lulista hegemony they are subject to punitive measures for “violating party discipline”, including expulsions.

As in the case of England where Tony Blair’s neo-liberal pro-imperialist “New Labor” replaced the traditional social democratic Labor Party, likewise Lula’s orthodox neo-liberal strategists have created a “New Workers Party” without social content, without democracy.

Leadership and Party Democracy

From its founding to the late 1980's, the PT had a vibrant, open, free-wheeling internal life. Members came to general assemblies and debated with leaders and held them responsible for their policies, speeches and presence or non-presence at popular demonstrations. Leadership was collective and the different political tendencies argued their positions without fear of expulsion or being disciplined. To outside observers, particularly conventional U.S. social scientists, the internal party life was “chaotic”. Yet great advances were made in recruiting new activists, militants volunteered for political activities and electoral campaigns and the party advanced despite the universal hostility of the mass media.

By the end of the 1980's, however, the social-democratic electoral wing of the party gained ascendancy and proceeded to discipline and expel some sectors of the radical left of the party. Assemblies were replaced by leadership meetings of full-time functionaries who implemented policies and then opened the floor to debate with their radical counterparts in the party apparatus. Thousands of activists began to drift away, in part by the growth of clientelism, in part by the emerging vertical structures and in large part because the party turned almost exclusively toward electoral politics. Most outside observers continued to write about the PT as if it was still the “horizontal grassroots” organization of earlier years, confusing the debates between the different tendencies (left, right and center) of the party apparatus with the earlier popular assemblies. By the election of 1994 and continuing with greater intensity thereafter, the PT became a personalist party organized around Lula, as the embodiment of the Popular Will, and the competing party barons in their power bases in state and municipal governments.

Increasingly, voluntary party activists were replaced by paid functionaries, political appointees to public office and public relations specialists in polling, image-making and television ads. Strict rules on electoral financing were breached as the leadership sought and accepted funds from state contractors to pay for the new and expensive mass media style of electoral campaigning.

With the new millennium, the party was run by a small nucleus of close advisers and a small elite of party bosses led by Ze Dirceu, who surrounded Lula and encouraged his personalist and increasingly authoritarian centralized leadership. Programs were no longer open to serious debate. The party program, everyone was told, was what Lula wanted in order to run for office, or later in order to win the campaign. Lula decided, with his coterie of advisers, to form an alliance with the right wing Liberal Party without consulting anyone, let alone the mass base concerning this strategic shift. In government he formed an alliance with the PMDB in a similar fashion. The same group rammed through a new social-liberal program via its control of the full-time functionaries at the Party Congress just prior to the 2002 elections. Top down personal leadership became the hallmark of the PT -- a far cry from its earlier horizontal structure.

The shift to authoritarian political structures facilitated the repudiation of all of the PT's remaining social reformist demands. As the traditional PT program was discarded and Lula's opening to the Right deepened, his advisers increasingly projected the image of Lula as "the man of the people", the "compassionate Northeasterner", the "metalworker president". Lula played the dual roles of neo-liberal and "worker president" to perfection: to the favelados he provided hugs, tears, handouts and promises.

To the IMF he guaranteed budget surpluses to pay bondholders, the firing of public sector employees and the promotion of agro-export elites.

The PT is a party which aspires to represent an alliance between domestic big industrialists and agro-business interests and overseas bankers: it secures the loyalty of labor bureaucrats for “social pacts” through lucrative pay-offs and ‘pacts’ which allow business to reorganize the workplace, fire workers with little or no severance pay and increase part-time and short-term employment, in exchange for which trade union bosses will receive future government posts and monetary remuneration. The appointment of trade union bureaucrats and left PT members to the Agrarian Reform and Labor Ministries is designed to pacify the unions and the MST with symbolic, not substantive, representation. The job of the PT ministers is to preach “patience” and to make inconsequential radical speeches at industrial workers’ and landless workers’ meetings. All the ‘left-wing’ ministers with limited budgets and under a pro-business economic strategy were totally incapable of pursuing any substantial reform programs. They pleaded with the dominant neo-liberal economic ministers for residual financial outlays, an undertaking that rarely, if ever, succeeded. Eventually the impotent leftist ministers were ousted and others adapted to the liberal orthodoxy and argued for what they will call “new realism” or “possibilism”.

The PT as a dynamic movement based on the working class -peasant party is dead. Long live the neo-lulistas and their paternalistic leader!

The Electoral Campaign

The past weighed heavily on the mass vote in favor of Lula and the PT; the present and future, however, open new hopes and vistas for the overseas bankers and domestic elites. These two distinct and polarized perceptions and interests are important to keep in mind in analyzing Lula's electoral appeal among the mass of the poor and the pro-business economic policies that he promoted before and after his election. Lula's political agreements with the Right and economic pacts with the IMF during his election campaign reflect the evolution of the PT over the previous decade and foreshadowed the orthodox neo-liberal policies he took immediately upon assuming office.

Several key factors during the electoral campaign prefigured the neo-liberal cabinet appointments and policies followed by Lula after his election: (1) Lula's economic and campaign advisers; (2) the choice of political allies; (3) the nature of the socio-economic program; (4) the agreement with the IMF; and (5) promises to meet and reach agreements with U.S. officials, overseas bankers and investors and the domestic industrial and agro-export elites.

A small nucleus of campaign advisers played the major role in shaping Lula's presidential campaign -- advisers who were long known for their neo-liberal credentials. In effect, Lula bypassed all the democratic norms and party statutes in organizing his campaign, including the process of selecting his vice presidential running mate and formulating his future program. Three advisers stand out. Antonio Palocci, the former PT mayor of Ribeiro Preto, a city in Sao Paulo state, who coordinated the PT's campaign platform and established solid links with the business elite. He was the PT's top spokesman on economic policy during the electoral campaign and headed the transitional

team after the elections. Palocci also engineered the PT's agreement with the IMF and was the architect of the orthodox monetarist and fiscal austerity economic policies. Lula later appointed him as Finance Minister. As mayor of Ribeirao Preto, Palocci allied himself with the local business elite and the sugar barons (FT, November 15, 2002, p. 3). He privatized the municipal telephone and water companies and partially privatized the municipal transport system. Apart from some low cost housing development, his neo-liberal policies were uniformly negative for the poor. Crime rates increased, as did the lines at local hospitals. Seven years into his government only 17% of the city's wastewater was being treated. Equally serious, water bills and regressive taxes increased and the public prosecutor investigated 30 charges of government corruption in relation to public works contracts. As a result of Palocci's reactionary policies, Lula barely won the popular vote in Ribeirao Preto (in contrast to his 24 point national margin), a result likely to repeat itself in the next presidential election.

Jose Dirceu, former President of the PT, is Lula da Silva's most influential adviser for almost decade. He has been the major force in engineering the transition from social democracy to neo-liberalism. He was appointed chief of the president's cabinet and he presides over the everyday affairs of the President's agenda and appointments, as well as exercising disciplinary power over PT deputies and senators to ensure that they vote the neo-liberal line on appointments, legislation and priorities. Dirceu, known as the 'Commissar', has already demonstrated his heavy hand in the expulsion of Senator Heloisa Helena for refusing to vote in favor of former Bank of Boston CEO Henrique Meirelles as head of the Central Bank and right-wing Senator Jose Sarney as President of the Senate.

The third close adviser to Lula during the campaign was Marcos Lisboa, an orthodox liberal professor and staunch monetarist. According to the Brazilian daily, Folha de Sao Paulo (December 22, 2002), he was selected by Palocci to formulate Lula's economic strategy. He is part of a large group of neo-lulists who jumped on the presidential bandwagon in the last weeks of the presidential campaign when it was clear Lula would win. This inner circle is backed by a wider ring of neo-liberal senators, governors and mayors who are deeply allied with business interests and who promoted privatization policies.

Those key advisers, along with Lula, decided on the political alliances to promote Lula's election. The strategy was to first consolidate control over the PT to ensure big city support, concentrating power at the top and then moving to the neo-liberal right to gain the support of the small towns and backward rural areas, and, more important, big business financing. Lula selected Alencar from the Liberal Party as his vice presidential partner. This brought Lula support from a substantial minority of Brazilian business groups and among right-wing evangelical groups backing Alencar, himself one of the richest textile capitalists in the country and no friend of the trade unions, least of all those employed in his textile mills.

While the left PT objected verbally, they eventually swallowed da Silva's decisions, since they had no recourse, no chance of changing the selection since the issue was never discussed outside of Lula's coterie. Dirceu, Palocci and their regional party allies, then proceeded to form political pacts with center-right and right-wing parties all across the political map, in different states of the country. In some cases, the national leadership's pacts with the right undermined local PT candidates, leading to the loss of

several governorships. What is clear from these electoral alliances with right-wing parties is that they were not “opportunistic” moves or merely electoral tactics. Rather, the alliances coincided with the neo-liberal ideology within Lula’s inner circle and among key sectors of the PT’s congressional representatives. The new right-wing allies plus the recently recruited neo-lulistas in the PT served as a counter-weight against the left-wing of the PT, further reducing their influence in the party and on the government. This was evident with regard to two important developments during the campaign: the PT’s program and its pact with the IMF.

Lula and his neo-liberal team made a consistent and coherent effort to demonstrate their neo-liberal credentials to several key groups, including Wall Street, the Bush Administration, the IMF and the principal Brazilian banking and industrial elites. Palocci was a key bridge in all of these key negotiations.

The electoral program of the PT spoke to all of the major concerns of the financial and industrial elites. Privatized enterprises would be respected. Foreign debt payments would continue. Tight fiscal policies would be rigidly adhered to. Labor and pension “reform” would be at the top of the agenda (reform = weakened trade union rights and labor legislation, and reductions in public sector pensions). There would be no indexation of wages and salaries, but there would be for bonds and debt payments.

The PT’s program was a clear continuation of the outgoing President Cardoso's disastrous neo-liberal policies and in some cases even a radicalization of his liberal agenda.

To further demonstrate their liberal orthodoxy to the bankers and industrialists Lula’s team signed on to a pact with the IMF only a few weeks before his electoral

victory. In exchange for securing a \$30 billion loan over a four-year period, Lula agreed to a strict adherence to all the typical retrograde conditions set forth by the IMF. Once in office da Silva even went beyond these harsh measures. The IMF agreement included the typical recessionary measures maintaining inflationary control by withholding large injections of fresh capital to stimulate growth, acquiescence in the disastrous privatization program unleashed by outgoing President Cardoso and a budget surplus target (beyond what is paid in interest payments) of 3.75% of gross domestic product, thus guaranteeing in advance that little or no funds would be available for any of Lula promises of "zero poverty", let alone financing a comprehensive agrarian reform.

Lula appointed a former President of a U.S. multinational investment bank (Fleet Boston Global Bank) Henrique Meirelles as the head of the central bank. Meirelles supported Cardoso's orthodox neo-liberal agenda and admitted to voting for Jose Serra, Lula's opponent in the presidential election. The Finance Ministry is in the hands of orthodox neo-liberal Antonio Palocci a member of the extreme right wing of the PT. Luiz Fernando Furlan millionaire chairman of the agricultural company Sadia was appointed by Lula as head of the Trade and Development Ministry. Robert Rodriguez, president of the Brazilian Agribusiness Association and strong advocate of genetically modified crops was selected by Lula to be Agricultural Minister (FT December 17, 2002, p. 3). As a spokesman for the largest multinational commodity giants Rodriguez joins Monsanto, the international agricultural and bio-technology group engaged in a longstanding battle to permit sales of GM Roundup Ready soya seeds. Lula's economic team of neo-liberal ideologues and millionaires outlined the pro-big business agenda even before taking office. From the beginning, it was clear that popular expectations among

the 52 million who voted for Lula and the 200,000 who cheered his inauguration would be profoundly disillusioned once Lula's economic team began applying the IMF agenda. Lula extended the reach of the right further by reappointing Cardoso's supporter Gilberto Gil as cultural minister, PT former governor of Brasilia, Cristovan Buarque, a strong advocate of privatization, as Education Minister and Cardoso's former ambassador to the U.S., Celso Amorin as Foreign Minister.

To pacify the center-left of the PT, Lula appointed a number of officials to ministries that were largely impotent given the tight fiscal and monetary policies imposed by Lula's big business economic team. By co-opting the left to the marginal ministries Lula deflected popular tensions and cultivated illusions among the leaders of the social movements, that his is a "balanced" regime. For the seven trade unionists, four women and two blacks in the cabinet, upward mobility outweighs concerns about neo-liberal policies. By the end of the first year in office, having consolidated total political control over the PT and firmly established his neo-liberal agenda, Da Silva gave the boot to even his 'loyal' PT moderates, unceremoniously removing Cristovam Buarque from the Education Ministry, Benedita da Silva from the Social Promotion Ministry and Jose Graziano (author of the Zero Hunger Program) as Minister of Food Security. He added two ministers from the right wing Brazilian Democratic Movement Party (PMDB) to secure the legislative and political bases for pushing through his extreme 'neo-liberal' agenda. (La Jornada, January 24, 2004) To ensure that neo-liberal policies are implemented, Lula da Silva is pushing a constitutional amendment which will make the central bank more responsive to foreign investors and bankers by making it "autonomous" of the national legislature and President.

Parallel to the selection of the big business cabinet, Lula's inner team of Paolucci, Dirceu and their economic advisors moved quickly to demonstrate their allegiance to U.S. imperialism, the big investment houses, and the Brazilian industrial elite. Between da Silva's election and his inauguration, neo-liberal advisers assured the U.S. that ALCA (FTAA-Free Trade Area of the America) was a framework for negotiations. Three weeks after Lula's election, Peter Allgeier deputy U.S. trade representative stated: "We will be able to work with the new (da Silva) administration on trade issues across the board in the World Trade Organization, in the FTAA and bilaterally. I feel very positive after having spoken to a number of people associated with the upcoming president." (FT, November 22, 2002, p. 4).

Immediately after being elected the da Silva team was already laying the groundwork for close economic ties to U.S. imperialism, a point missed by many of the Brazilian left intellectuals like Emir Sader who continued to praise Lula's 'nationalist' foreign policy (Punto Final, December 2002, p.2). A few weeks before his inaugural da Silva met with Bush in Washington where the two leaders agreed to a trade summit for Spring 2003. In addition da Silva also met with U.S. trade representative Robert Zoellick to discuss how the co-chairs of the negotiations on the ALCA could expedite its implementation (FT January 22, 2003, p. 12). The PT regime's pro-ALCA, pro-U.S. position was apparent when da Silva refused to support the 2002 popular referendums on ALCA and the U.S. base in Alcantara in Maranhao State, despite 10 million plus participants. Lula's decision to repudiate the 95% of voters who opposed ALCA and the U.S. base, and to move toward greater subordination immediately after the elections, is indicative of the massive deception perpetrated by his electoral campaign. As the

inauguration of Lula neared, the neo-liberal nucleus running the government, made it clear that budget austerity, and high interest rates, would take precedence over poverty reduction and development initiatives.

Though many of the left PT had doubts about Lula's alliance with the hard neo-liberal right including electoral pacts with ex-President Jose Sarney, and the corrupt ex-Governor of Sao Paulo Orestes Quercia and Paulo Maluf, they continued to describe the Lula regime as a government "in permanent dispute and tensions", without a fixed direction. Blinded by the presence of former leftists in marginal cabinet posts, they overlooked the deep structural and policy ties of the key economic and foreign policy makers. The only "dispute" was between the foreign bankers and big industrialists over interest rates.

Lula pressed all the buttons to please Bush. He publicly criticized Presidents Chavez of Venezuela and Fidel Castro of Cuba prior to his inaugural. Da Silva's inauguration speech was a masterpiece of duplicity - a double discourse to set his lower class supporters dancing in the street and assuring foreign bankers that his regime was their regime. Lula's speech spoke of "changes", "new roads", and the "exhaustion of a (neo-liberal) model" which he then qualified by speaking to a "gradual and continuous process" based on "patience and perseverance." He then spoke of "zero hunger" as the priority of his government. He spoke of Agrarian reform and developing the internal market but he also came out in favor of agro-export elites and free trade and against protectionism and subsidies. After having appointed the most rigid neo-liberals to every key economic post, he could not possibly be taking a "new road." After signing on to

the IMF austerity budget there was no way he could finance new employment, and "zero hunger." By putting anti-inflationary measures designed by the IMF as a priority there was no way Lula could promote the internal market.

The double discourse belied a single practice, to continue and deepen the model that he denounced as leading to stagnation and hunger. Once in office Lula very early on demonstrated the vacuity of his promises of social welfare.

Implementing the Neo-liberal: Lula in Power

One thing must be said about da Silva's economic team, they lost no time in fulfilling their pre-inauguration promises to the IFIs, international bankers and the local industrial elites. There is no balancing act (FT, Jan. 24, 2003, p. 2) between the fifty-two million voters with expectations of social improvement and da Silva's commitment to the economic elites. Few ex-left governments have moved so rapidly and decisively to embrace and implement a right-wing agenda as has the da Silva regime.

In line with meeting the demands of the IMF and the economic elites, the da Silva regime slashed the budget by \$3.9 billion (USD) (FT, Feb. 11, 2003, p. 66; La Jornada, Feb. 11, 2003). Included in the budget cuts were reductions in the promised minimum wage from \$69 (USD) to \$67 (USD) per month to take effect in May 2003, five months after taking office. Given inflation, this reduced the minimum wage below the miserable level of the previous Cardoso regime. Over \$1.4 billion (USD) of the \$3.9 billion budget reduction came out of the social budget. A closer analysis of the budget cuts reveals that reductions affected food programs, education, social security, labor, agricultural development, cities and social promotion. Altogether, social cuts came to 35.4% of the

budget reduction. Even da Silva's much publicized pet project "zero hunger" was slashed by \$10 million leaving \$492 million to attend to the 40 million malnourished Brazilians. The budget cuts mean the funds budgeted for the hungry amount too \$10 (USD) a year or \$0.85 (USD) a month or 2.5 cents per day.

The major reason for the social and other budget cuts was to increase the budget surplus to meet IMF and debt payments. Da Silva's neo-liberal Taliban's increased the surplus from 3.75% of gross national product agreed to with the IMF in June 2002 (under Cardoso) to 4.25% in February 2003 under the leadership of the former metal worker and "people's president". In other words da Silva increased the budget allocation to meet debt obligations from \$17 billion USD to \$19.4 billion USD or by nearly 14%. The \$2.4 billion USD addition was a direct transfer from the social budget to the foreign and domestic bondholders. Da Silva transferred funds from the very poorest classes to the very rich.

Da Silva's budgetary policies deepened Brazil's infamous inequalities not reduced them. Lula's theatrical gestures of asking the poor people who voted for him to "pardon" him for ordering this "bitter medicine" will certainly not bring much sympathy from the millions of minimum wage workers who will see their meager incomes and social services decline. The cuts in government spending did not provide any stimulus to the economy and instead they deepened the economic recession.

Da Silva's neo-liberal appointees to strategic economic positions established the strategic economic framework for the formulation of macro and micro economic and social policy. To understand what has transpired since da Silva took office it is essential to understand the underlying philosophy which guides his regime and to set aside his

theatrical antics before the mass public and the populist gestures directed at pacifying the poor, the social movements and dissident members of the PT.

The operating philosophy of the PT regime has several key postulates (1) Brazil is in a crises which can only be addressed by satisfying the austerity policies promoted by the international financial institutions in order to secure new flows of loans and foreign investment, which are identified as the principal vehicles for development (FT, January 16, 2003, p. 2); (2) Brazil will grow only by providing incentives to domestic big business, agro-business and foreign multinationals (see Lula at Davos, FT, Jan. 27, 2003, p. 2). These incentives include lower taxes, reducing labor welfare provisions and strengthening business positions in labor-management negotiations; (3) the free market, with minimum state intervention, regulation and control is essential for solving the problems of growth, unemployment and inequalities. The major task set by da Silva's economic team is to promote Brazilian exports to overseas markets - over and against domestic markets - and to pressure the U.S. and Europe to liberalize their markets (FT, January 16, 2003, p. 2); (4) growth will eventually result from price stability, foreign capital flows, tight fiscal policy and above all strict payment of public and foreign debts, hence the need to slash government budgets, particularly social budgets, to accumulate a budget surplus for debt payments and to control inflation. Once stability (the "bitter medicine") is achieved, the economy will take off into market driven export growth, financing the poverty programs to alleviate hunger. "Premature" welfare spending, raising the minimum wage, extensive poverty programs and agrarian reform would "destabilize" the economy, undermine "market confidence" and lead to deepening the

crises and worsening the condition of the people (Tiempos del Mundo Dominican Republic, Feb. 20, 2003, p. 7).

These doctrinaire neo-liberal philosophical assumptions of da Silva's economic policies provide the basis for analysis and criticism. First we should consider the recent historical experience of Brazil to critically evaluate these theoretical assumptions and then turn to the particular policies proposed and implemented by the da Silva regime and evaluate their likely impact on economic development, class inequalities and social welfare.

Da Silva, both in terms of the neo-liberal philosophy which guides his economic team and in actual economic practices represents a continuity, extension and deepening of the disastrous neo-liberal policies pursued by the Cardoso regime. On all major political economic issues, debt payments, free markets, privatization, monetarism, da Silva's regime follows the Cardoso regimes failed policies (FT Dec. 20, 2002, p. 2). These policies led to eight years of economic stagnation, profound social inequalities, increased indebtedness and a near collapse of a financial system, dependent almost entirely on volatile external flows of speculative capital. If anything, da Silva's economic policy extended the liberal agenda, by reducing pensions for wage and salaried workers, increasing the budget shares allotted to debt payments, greatly exceeding Cardoso in terms of cuts in the social budget. If we can consider Cardoso an orthodox neo-liberal, da Silva's regime can be considered neo-liberal Talibans.

Da Silva and his Finance Minister Palocci rejected any protectionism, moved to extended privatization and refused to correct the worst abuses of privatized enterprises. Palocci defends international regulations (World Trade Organization policies) as a means

to attract foreign investment, rejects protectionism for local industries and privileges foreign capital in competing for public tenders (state contracts). Palocci argues "Brazil doesn't want to close itself. We want to sail the open seas of the global market" (FT, January 16, 2003, p.2). He rejects any state intervention as "artificial mechanisms" of public financing to stimulate consumer demand among millions impoverished Brazilians. "Generating the right conditions, market forces will increase income and corporate productivity", according to da Silva's economic czar. This Taliban neo-liberal conveniently forgets that it was precisely the "market forces" in Brazil that created the mass poverty and the worse inequalities in the world over the last 100 years of capitalist expansion.

Palocci with the unquestioned backing of President da Silva and the rest of the economic team, announced the privatization of four state banks, the "privatization" (Celso Furtado) of the Central Bank (under the pretext of 'autonomy' from elected officials) and the promotion of a law that guarantees foreign capital 100 percent control of a substantial sector of Brazil's telecommunication industry, the latter ministry in the hands of the right wing PMDB as of January 2004. Faced with the failure of AES, the US power company, to meet payments on its purchase of Electropaulo - a power distributor in Sao Paulo City - da Silva's economic ministers refused to re-nationalize the company despite its glaring financial mismanagement (FT, February 26, 2003, p. 15).

Dogmatic belief in the virtues of foreign capital as the engine of growth blinds the da Silva regime to the precariousness and vulnerability of tying Brazil's development to international financial capital, as the Brazilian crisis of the late 1990's demonstrated. Domestic austerity and other neo-liberal pronouncements were not enough to attract new

long-term investment in 2003. By adopting the neo-liberal agenda and financial dependence, Brazil will follow one austerity policy after another, austerity without end. The outlook for 2004 is for further budget constraints to attract foreign investors.

Economic Performance

The economic performance of the Da Silva regime's orthodox neo-liberal model was one of the worst in modern Brazilian history and among the worst in all of Latin America for the year 2003. Brazil grew by 0.6% - according to a report of the United Nations Economic Commission on Latin America. (Argenpress, Dec. 17, 2003). Taking account of population growth Brazil experienced a negative growth rate of minus 1%, far below the regime's ideologically informed projections of a 2.8% growth rate, and the second lowest in Latin America.

Unemployment reached record levels in the Greater Sao Paulo industrial region – exceeding one-fifth of the economically active population - 20.6% in September 2003 (Folho S. Paulo, Oct. 24, 2003 B-1). Between January and October 2003 the national unemployment rate grew from 11.3% to 12.9% (Folho de Sao Paulo, Oct 23, 2003, pB4). Among young people (16-24 years) unemployment reached 50%. Moreover among the new employment positions (772,000) over 92% (716,000) were in the informal sector, lacking social benefits, health insurance, vacations and security. Moreover the average income of a worker in the informal sector is almost one-third less than that of a worker in the formal sector – averaging about \$182 a month, far below the poverty line for a family of four. Income levels also dropped precipitately, 15% between January and December 2003.

The domestic recession however was instrumental in improving Brazil's external accounts with a surplus of \$3.856 billion. The surplus was a result of the domestic recession which significantly lowered imports of consumer and capital goods, and the economic incentives which the regime gave to the agro-mineral export elites.

Da Silva's orthodox IMF economic strategy premised on an alliance with foreign overseas financiers was not only a complete failure in reactivating the economy it drove the country further into recession. In contrast the Argentine regime of Nestor Kirchner who adopted a heterodox economic policy of limiting the budget surplus to 3% to pay foreign creditors (50% less than Da Silva), created 2 million subsistence public works jobs and sustained a de facto moratorium on parts of foreign debt payments in defiance of IMF demands to increase the budget surplus to pay foreign creditors. Argentina insisted on reducing the private foreign debt by 75% and to pay with long-term bonds. Kirchner's economic strategy is to channel public investment toward the domestic market and to promote the small and medium-size national enterprises as well as the traditional agro-export elites. As a result Argentina's GNP grew by 7.3% in 2003, its industries grew over 10% and its unemployment declined to 17.5% (counting those on state subsistence payments) down from 22% at the start of the year. The point of this comparison is to demonstrate that even within a modified neo-liberal framework there are alternatives to Brazil's slavish pursuit of the IMF agenda and the alliance with overseas finance capital - an alternative that reduces debt payments, increases employment and promotes industrial growth instead of bankruptcies.

In his election campaign Da Silva promised to create 10 million new jobs. After his first year in office, there were one million new unemployed workers (Outro Brazil-Benjamin et al, Nov. 3, 2003).

The Brazilian state's budget surplus of 4.25% results in over \$23 billion dollars in tax revenues being transferred mostly from wage and salary workers to wealthy domestic and foreign creditors (mostly bankers) who in turn invest in speculative activities, principally high interest-bearing bonds from the Central Bank, (Outro Brazil-Benjamin, p7, Nov 2003). In effect the Da Silva government policy not only deepens Brazil's already notorious socio-economic inequalities, but encourages the speculative over the productive market.

Following the lead of their international financial partners and allies the Da Silva regime has implemented a series of regressive "reforms". These include pension, tax and labor legislation designed to increase profits, concentrate capital, lower wage and social benefits, with the hopes of increasing exports and attracting overseas capital. In the tax realm the Da Silva regime has lowered corporate taxes and provided long-term tax exemptions for foreign investors and tax stimulus packages for agro-exporters while increasing taxes by 27% on wage earners, salaried employees and pensioners. In effect the Da Silva tax policies have "redistributed" the tax burden from capital to labor, thus further increasing Brazil's perverse inequalities. This is particularly evident in the countryside where agro-export revenues (particularly in soy bean, beef and citrus) have increased while the minimum wage for agricultural workers has in real terms declined, in part because of the huge surplus of landless laborers. Nothing tells us more about the

class character of the Da Silva regime than its fiscal policies – its strident promotion of the export elites and its regressive tax and incomes policy.

The Da Silva regime's other major triumph in its pursuit of a pure, unadulterated neo-liberal model is found in its public pension reduction and privatization policy. Two aspects stand out, the form in which the Da Silva administration aggressively pursued its policy; and the radically regressive substance of the policy.

The Da Silva regime's savage attack on public pensions was extraordinarily aggressive, demagogic and highly organized from the top down. The regime extrapolated the 5% highest paid pensioners and manipulated these "facts" into a general attack on the 95% of pensioners receiving a decent to modest pension. Equally significant the Da Silva team put pension reduction on the top of its legislative agenda, both for substantive and symbolic significance. Major reductions in pensions augments regime coffers temporarily and provides funds to meet full and prompt payments to creditors even under a stagnant economy. Secondly pension reductions served to dispel any doubts among overseas speculators about the rightwing character of the Da Silva regime, thus consolidating the strategic ties between the Da Silva regime and Wall Street. The fact that Da Silva was willing to savage one of his principle long-term organizational and electoral bases of support (the public employees and municipal unions and their millions of supporters) in pursuit of IMF and foreign capital linkages was convincing evidence of Da Silva's commitments. The final proof of the Da Silva regime's embrace of big capital was the way in which it disciplined and enforced conformity of its parliamentary representatives. With the exception of three congress members and one senator, the so-called Workers Party (including its self-styled "left-wing") voted in favor of the

regressive pension policies, aided and abetted by the ex-trade union bureaucrats of the CUT. To further demonstrate his strategic ties to big capital, Da Silva and the PT leadership in Congress expelled the four dissident congress members and threatened the same to a shrinking minority of “leftist” congress members. Da Silva’s pension legislation is regressive, not reformist, because it substantially reduces the net payments of those earning over \$409 per month for state workers and \$492 for federal workers by 11% -- the new taxes they will have to pay. A retired federal pensioner receiving \$500 a month will now receive \$445 a month. For those pensioners receiving over \$815 USD there will be a 30% reduction in income, costing pensioners over \$17 billion USD over 20 years.

The so-called “pension reform” includes the first steps toward privatizing the multi-billion dollar state pension funds through private investment fund managers.

In a similar vein, with Da Silva’s so-called “tax reform”, the regime promises to add a regressive value added tax (in place of a tax on industrial production) and increase tax exemptions for the export elites, while phasing out the mildly progressive financial transaction tax (F.T., Sept. 2, 2003). The deputy leader of the PT in Congress, Paulo Bernardo, announced that the “tax reform” would consider guaranteeing tax concessions given to companies by state governments for up to 10 years (F.T., Sept. 2, 2003, p2), as the big industrialists and foreign MNC’s demand.

In addition the Da Silva regime lifted price controls on over 200 basic food and pharmaceutical items, thus increasing corporate profits and reducing living standards for wage and salaried workers. The regime’s attempt to forge an “alliance” with foreign capital fell far short of expectations. The 40% decline in new foreign capital investments

suggests that the “alliance” has not produced according to the ideological expectations. More seriously, the fundamental economic assumptions underlying the Lula-MNC strategy have been demonstrated to be false. Between 1995 and 2001 foreign investment increased from R\$272.6 billion to R\$914 billion – more than tripling. In the same period unemployment grew 155.5%. In other words there is an inverse relation between the inflows of foreign capital and employment. There are several hypotheses which could explain this relationship: Much of capital flows were directed at purchasing public or private Brazilian firms, frequently resulting in substantial lay-offs before or during the buy-out to enhance profit margins. These privatizations did not necessarily increase production so much as capture monopoly markets (in communications, light and power and other public utilities). Secondly much of the new flows of external capital were directed at the paper economy, speculative activity which sought to profit from high interest rates. The increase in speculative foreign investment in high interest government bonds was accompanied by the bankruptcy of productive firms and decline in productive investments due to the high cost of borrowing which lowered profits in productive sectors. Moreover many investors switched from investments in risky and stagnant productive sectors to the lucrative speculative sector – all of which contributed to increasing unemployment. Finally the “free market policies” led to a big increase in cheap and subsidized imports displacing local small and medium size agricultural and manufacturing producers who employ the bulk of the labor force. The growth of imports in these labor-intensive sectors led to the growth of a large “surplus labor force” both in major urban cities as well as in the countryside.

The pattern of large inflows of foreign capital and increasing unemployment under Cardoso, intensified under the Da Silva regime, with its exaggerated dependency on foreign investors. The Da Silva regime's record transfer of Brazilian earnings overseas (profits, interest and royalty payments, service charges, domestic legal and illegal transfers to foreign accounts) surpasses \$50 billion USD – enough to fund a major job-creation program of public investment, an agrarian reform to settle 200,000 landless families, a comprehensive health program, doubling of the education budget and a real “zero hunger” program which would actually cover the tens of millions of impoverished Brazilians who have yet to be reached by the current failed program.

The current reduction in public investment and purchasing, the sharp drop in disposable income among wage and salaried workers, the decline in agrarian reform beneficiaries and the troubled state of most cooperatives for lack of credit means that the Brazilian domestic market is an increasingly unattractive sector to invest, except at the high-end of luxury goods and in the agro-mineral export enclaves. Da Silva's class-based austerity program designed to attract foreign capital is likely to limit new investments to selected export sectors both in agro business and industry, speculative, financial and banking activities, luxury production and commercial activity (import houses).

The official projections of 2004 are for “modest” growth of 3.5%; but this is a dubious proposition for several reasons. It assumes large-scale foreign investment based on low inflation, budget surpluses, and tight monetary policies. But given the Da Silva regimes long-term commitment to a 4.5% budget surplus, internal demand will continue to stagnate. The regressive tax, income and labor policies will continue to weaken mass demand for consumer goods. In effect the projection is for Brazil to grow in the capital

intensive, low labor export sector and regress in the rest of the economy, deepening socio-economic inequalities and widening economic disparities within and between sectors of the economy. Equally important the Brazilian economy floats in stagnation in large part because of exceptionally favorable commodity prices (especially in iron, soy beans etc..) which are very vulnerable to great fluctuations. A sharp drop would diminish the “trade surplus” and affect the availability to finance the agreed to exorbitant debt payments, leading to the flight of capital or at least a sharp reduction in capital inflows. The result would be a profound recession and perhaps collapse of the regime’s financial architecture.

President Da Silva, in one of his most arrogant and self-serving declarations, called his presidential predecessors “cowards” for not ignoring the basic health, welfare and employment needs of millions of working Brazilians. In Da Silva’s perverse logic, supporting the rich and powerful (especially the foreign rich) backed by the major media monopolies was an act of “courage”. Lowering the minimum wage of the poor and destitute, reducing the pensions of the public employees and weakening protective labor regulations, abandoning 200,000 encamped landless rural workers and then telling the Brazilian public that he speaks for the working people requires great audacity – the courage to sincerely articulate and repeat the Big Lie.

Brazil’s export growth partially accounted for the \$25 billion trade surplus. Equally important was the stagnation of imports, which grew only 2% in 2003, slightly higher than population growth. Agro-mineral products (\$33 billion USD) accounted for almost half of Brazil’s \$73 billion exports. Brazil’s exports were primarily directed toward European Union (\$18 billion USD or 25% of the total) followed by the US (\$16.9

billion USD or 23%) and China (\$4.5 billion or 6%). Its principal trading partner in MERCOSUR, Argentina accounted for \$4.5 billion or 6%. In other words the so-called Latin American regional organization accounted for less than 10% of Brazil's trade, hardly an example of a "regional bloc" to challenge ALCA or the World Trade Organizations. Clearly MERCOSUR, despite Da Silva's rhetoric is a very subordinate part of his trade strategy, which is oriented to complementing the European Union and integrating ALCA – if the US plays the "free market" game.

Da Silva's policy toward consumers and health issues follows directly from neo-liberal dogma and in complete opposition to the expectations of his popular followers.

The regime approved new price hikes by privately owned utilities - thus increasing the burden on the poor (FT, Feb. 18, 2003, p. 4). In February, da Silva eliminated price controls on 260 pharmaceutical products and proceeded to liberate 3,000 medicines from price controls in June 2003.

In a bizarre twist, to compensate for declining living standards da Silva promised to install 4,200 computers for the poor and give them 10 minutes free time daily. Given the price-wage squeeze on wage earners and the potential for discontent, Lula is ensuring the loyalty of the police - he granted them a 10% salary increase.

It is no wonder that da Silva received thunderous applause from the super rich in Davos in January 2003. As Caio Koch Weser, Germany's State Secretary of Finance said of da Silva: "The key is that the reform (neo-liberal) momentum gets the benefit of the enormous credibility that the president brings" (FT, January 27, 2003, p. 2).

Da Silva's deliberate manipulation of his working class origins to promote a big business agenda was and is much appreciated by the shrewd financiers on both sides of the Atlantic.

ALCA and U.S. Imperialism

Throughout Latin America mass popular movements are vociferously protesting against ALCA (The Free Trade Area of the Americas). Millions of peasants in Mexico, Ecuador, Colombia, Bolivia, Paraguay, and Brazil have blocked highways and demanded that their governments reject ALCA. In Brazil during 2002 a referendum was held on ALCA in which over 10 million participated and over 95% voted against ALCA. Da Silva refused to participate and ordered the PT not to become involved. Once elected he ignored the 10 million voters against ALCA and accepted to be co-partners with the U.S. in the negotiations to consummate agreement on ALCA.

ALCA is a radical comprehensive trade agreement which, if implemented, would transfer all trade, investment and other economic policies to a U.S. dominated economic commission, probably located in the U.S., which would oversee the privatization and U.S. takeover of the remaining lucrative state owned public utilities, petroleum, gas and other strategic industries. At a speech at the National Press Club in Washington, da Silva pledged to create a western hemisphere trade pact. He pledged to push ahead with the Free Trade Areas of the Americas (ALCA) and was ecstatic about his relation with President Bush. "My impression of Bush was the best possible" (FT, December 11, 2003, p. 5).

Da Silva and his economic team's main objection to ALCA is that it must reduce trade barriers for Brazil's big agro-exporters. The "worker president's" embrace of the most aggressive militaristic U.S. president, at war with Iraq and plotting the overthrow of the democratically elected government of Venezuelan President Hugo Chavez, must indeed touch the lowest point of political servility in recent Brazilian diplomatic history.

As many critical economists have demonstrated, ALCA will destroy family farmers and peasant agriculture, increase the number of landless peasants, spreading hunger and forcing mass migration to the urban slums, making a mockery of da Silva's "zero hunger" program. Da Silva's pitiful handouts of temporary food relief will not compensate for the millions of new poor and destitute resulting from his doctrinaire neo-liberal policies. Da Silva claimed that his "zero hunger" scheme was "much more than an emergency donation of food. We need to attack the causes of hunger, to give fish and to teach how to fish" (FT, Jan. 31, 2003, p.2). Instead, with ALCA, da Silva is attacking the poor, not hunger, and strengthening and deepening the causes of hunger, not lessening them.

In pursuit of the best possible relations with President Bush, Brazil's foreign minister Celso Amorin sought to intervene in the Venezuelan conflict. Amorin offered to 'mediate' the dispute between the constitutionalist President Chavez and the U.S.-backed "Democratic Coordinator", by organizing groups of nations dubbed "Friends of Venezuela". The so-called "friends" included Spain and the U.S., both of which supported the April 11, 2002 failed coup against Chavez. In addition the "friends" included the neo-liberal regimes of Chile, Mexico and Portugal and of course Brazil. President Chavez who belatedly became aware of Amorin's trap, asked that a few more

friendly countries be included. Da Silva and Amorin refused and the Brazilian ploy on behalf of the U.S.-backed opposition became a dead letter. Chavez told the "friends" and their Brazilian sponsors to keep out of Venezuela's internal affairs. This didn't prevent Amorin from declaring that the Brazilian regime was open to meet with the Venezuelan golpistas (La Jornada, January 22, 2003).

The key to the Da Silva regime's policy toward ALCA can be found in discussing the principal protagonists of this economic strategy: the IMF, foreign capital and the agro-mineral and big industrial sectors. The Da Silva economic team (Mereilles, Paolucci, Furlan, Rodriguez and their academic advisers and financial backers) have rigidly pursued a coherent economic strategy that is based on attracting large flows of foreign capital, promoting agro-mineral exports, and gaining access to international capital markets by over-fulfilling its surplus to meet public and foreign debt obligations. This is par excellence an "export driven" strategy; one however that differs substantially from the Asian model in several important aspects. The Da Silva regime does not pursue an "industrial policy" of selecting and financing national public and private manufacturing capital – public productive investment declined. Secondly the Asian countries did not channel anywhere near the percentage of its GNP to overseas bankers – they invested far more of the economic surplus in domestic production. Thirdly the Asian export growth strategy protected "non-competitive sectors" from subsidized imports in contrast to Brazil, which is willing to negotiate the opening of its domestic market in exchange for access for its exports. Fourthly the Asian export strategy was based on the export of manufactured goods, with a high content of value added, while Brazilian leading exports, mostly agro-mineral, have little value added, thus not

increasing domestic employment and expanding the domestic economy. Fifthly the lead export enterprises in Asia were national-private or publicly regulated – whereas in Brazil, most are privatized and many are foreign-owned, leading to lower rates of re-investment in the Brazilian economy.

As a consequence Da Silva's "export strategy" has a vastly different outcome from what occurred among the Asian Tigers. Export growth sectors are confined to enclaves with few spread effects; growth is uneven and unstable dependent on highly volatile markets and commodities. Income and employment does not change significantly for the better—in fact it is worsening given the new "flexible" labor policies. A key difference between the Asian export model and Da Silva's economic teams' is in the timing: the Asian export model began with a strong national industrial protectionist model and later moved toward liberalization, while Da Silva starts with an orthodox liberal approach which undermines any efforts to build up competitiveness. The selective liberalization in Asia allowed the regimes to regulate the inflows of capital toward productive activity, while in Brazil the indiscriminant liberalization has encouraged the entry of mostly speculative capital, not productive capital – in part because of the higher rates of return in the former over the latter.

During the Cardoso years there was a tidal wave of foreign investment, a substantial part buying public and private national enterprises. The Census of Foreign Capital taken in 2001 revealed that Brazilian enterprises having at least 20% foreign capital increased from 6,322 firms to 11,404 – an increase of 80.4% -- between 1995 and 2000. The stock value of firms with foreign capital increased three-fold in the same five year period. The liberalization policy that encouraged foreign inflows did not decrease

unemployment – in fact unemployment increased 15.5% between 1995-2000. The Da Silva regime has expanded the concession to foreign investors but has reaped meager results as new investments have declined – pending the privatization of the remaining lucrative public enterprises. Foreign direct investment declined by half in 2003 thus weakening one of the major protagonist in the Da Silva “export model”. Several reasons account for this decline. First of all many of the most lucrative public enterprises which attracted foreign capital between 1995-2001 have already been sold, few enterprises are left. Secondly the rates of return in the speculative, financial and stock markets are several times greater than the rates of return in the productive sector. Thirdly the stagnation of the Brazilian economy, the high interest rates and declining purchasing power of most Brazilians is not an ‘attractive’ market to invest in; the labor costs in Brazil, while among the lowest on the continent, still are higher than those in China, for those manufacturers looking at export sites for industrial investments. Despite being considered “the toast of financial markets” (FT Dec. 1, 2003: p.14), Da Silva’s single-minded pursuit of the export surplus has lowered earnings 15.2% while bankruptcies rose throughout the year and foreign investment fell. The next stage in 2004 will be to deepen and extend the regressive policies (“reforms”) by decreasing regulations over energy and telecommunications (increasing prices to consumers), passing more labor “reforms”, lowering severance pay, increasing precarious employment, easing firings to “attract” foreign investors. In other words the orthodox neo-liberal measures taken in 2003 will be radicalized, as the regime will dogmatically pursue the illusion of great waves of investors, reactivating the economy.

The second major component of Da Silva's export strategy is to comply with the IMF and World Bank in hopes of securing "certification" among overseas lenders. The cost of Da Silva's pact with the IMF is enormously costly to the economy and a scourge to any development, dependent or not. The Da Silva economic team has agreed to pay the IMF over \$35 billion USD during the four-year term of his presidency. Rather than attracting new capital, the financial agreements with the IMF, particularly the setting of a budget surplus of 4.25% of the GNP to be paid to foreign creditors means that over \$27 billion USD left the country – nearly 3 times the size of the inflows of foreign investment. This counter-growth strategy adopted by Da Silva's team is projected to continue through to the end of his term by Finance Minister Palocci (Folha do S. Paula, Oct. 31, 2003: p.B5). The prospects for 2004 are hardly auspicious as an increase in imports are likely to shrink the trade surplus and foreign debt amortizations will increase from \$27.4 billion USD in 2003 to \$46.9 billion in 2004 (FT, Nov. 7, 2003: p3). Da Silva's orthodox economic policies have entered into a vicious circle: The more the regime borrows, the harsher the conditions, the weaker the growth, the lower the investment, the greater the debt obligations to GNP.

What Da Silva's economic team refuses to recognize is that foreign investment does not create expanding markets or industrial growth; rather FI is attracted to expanding markets and industrial expanding economies.

The third aspect of Da Silva's export growth strategy is the search for markets through ALCA and new trade partners. Da Silva traveled to over 27 countries mainly as a traveling salesman for the agro-mineral and industrial elites. Given the centrality of the "export-led" strategy of the Da Silva regime, and its close structural links with the giant

export enterprises in agriculture, mining and petroleum, it is not surprising that the regime has been a staunch supporter of comprehensive liberalization of trade. Contrary to the most “leftist” opinion, Brazil’s “leadership” of the G-21 at the Cancun meeting had nothing to do with the defense of the poor and downtrodden of the Third World. The main point of contention was Brazil’s militant defense of its agro-export elites open access to US markets. Da Silva has reiterated time and again his favorable position on “free trade”, as the road to growth and prosperity (despite the devastating impact on Brazil and the rest of Latin America over the past 2 decades). Celso Amorin, Brazil’s neo-liberal Foreign Minister insisted that the US eliminates its tariff barriers, quotas and subsidies that hinder Brazilian exports of sugar, cotton, soybean, beef and citrus products. The US protectionist position defended by US Trade Representative, Robert Zoellick, was unacceptable to Brazil because it put in question the entire Da Silva free market-export led strategy. The ALCA (Free Trade Area of the Americas) meeting in Miami on November 17-21, 2003 led to a compromise in which the Brazilian Foreign Minister agreed to set aside Brazil’s objections to US protectionism and agricultural subsidies in exchange for an agreement which allows member countries to opt out of parts of the agreement they found objectionable. The US thus was able to push its agenda creating a legal-political framework for opening up competition on government procurement, defense of intellectual property rights, liberalization of services, lowering of subsidies and protection (in Latin America) and “equal” treatment between giant US MNC’s and smaller Latin American firms. What Celso Amorin called “ALCA lite” is in fact a substantial step toward consummating the US version of ALCA – and its de facto colonization of Latin America. US imperial strategy operates on two levels – the signing

of regional and bilateral “free trade agreements” with its Andean regime clients (Ecuador, Colombia, Peru and Bolivia) which readily accepted its one-sided liberalization, the Central American clients (Honduras, Nicaragua, El Salvador and Guatemala) plus bilateral agreement with the Dominican Republic, Chile and Mexico. The US strategy is to use the pressures of these free trade agreements to push Brazil and Argentina into signing onto ALCA in order to retain markets in the neighboring countries.

The dilemma of the Da Silva regime is that while counting on the US market and investments it is strongly linked to its own agro-exporters. These contradictory pressures find expression in the efforts of Amorim to accept ALCA in stages, hoping to lower some of the trade barriers in exchange for conceding to the US demands on services, investment and intellectual property rights (all of which have very damaging impacts on Brazilian industries, including the pharmaceutical, finance, health, and insurance sectors). Apart from ALCA, Da Silva has traveled throughout Asia, Africa, Europe and North America, in active pursuit of markets for Brazilian exporters, usually accompanied by an entourage of big business people. In contrast to the tireless attention Da Silva has given to the interests of the agro-mining elites, he ignores the hundreds of thousands of landless rural workers encamped by the highways under plastic tents, telling them to wait, to have patience, to suffer nobly.

Brazil’s promotion of Mercosur is also part of an effort to diversify and extend markets – a greater necessity now particularly with declining domestic consumption and agricultural constraints in Europe and the US. But in the case of Mercosur Brazil competes with Argentina in agricultural, textiles and beef products and runs into a depressed market. The big push of the Da Silva regime is toward Asia, particularly

China where iron and soybean exports are experiencing double-digit growth. China's boom economy, particularly its manufacturing and consumer sectors have pushed the price of iron and soybeans to exceptional levels. As a result the regime is encouraging big agro-export growers to expand their areas of cultivation, even to precarious regions – like the Amazon – and has turned a blind eye to the displacement of Indians and small producers.

Export industries are the “Nobility” in the Da Silva conception of development, while local producers are the “vassals”. The urban poor, landless rural workers and the unemployed workers are the “serfs”, to provide cheap labor and services, consume less and keep quiet, in order to service the Divine Justice of increasing export earnings and fulfilling foreign debt payments. Together foreign investors, exporters and financiers form the Unholy Trinity guided by the courageous helmsman Inacio Da Silva, who bravely tramples on the poor and worships at the feet of the IMF.

This is why the financial journals proclaim the “success” of Da Silva's export development strategy. The billions spent in promoting exports are based on keeping the minimum wage of the Brazilian worker at \$87 USD per month. Read the export figures and ignore the growing lines of unemployed (150,000 in Rio applied for 1,000 street cleaning positions) and the misery of millions of landless rural workers. As one MST militant told me: “Exports are doing great, only the people are suffering.”

Investor-Speculators' Paradise

By late 2003 the big news on the financial pages of the Brazilian press was the fall of productive investment and the growth of speculative capital – especially foreign

capital (Jornal do Brazil, Oct 24, 2003 A22). Most of the foreign investment went into speculating on the Brazilian stock market, and purchasing government bonds with one of the highest rates of interest on the planet (18.5% as of December 2003).

The boom in highly volatile speculative capital is based on short-term considerations – high interest rates and an overvalued currency, which is strangling the domestic economy and precluding the revival of the economy. Investor banks reported a “boom in emerging market debt” (Financial Times, Dec. 24, 2003: p.13). With relatively stable neo-liberal regimes in power in the major countries of the third world subordinating all priorities to meeting their debt obligations, there was record investment in debt. Speculators invested in a record \$3.3 billion in Third World bonds, doubling the figure for 2002 (\$1.7 billion). The best performer from the point of view of the speculators was Latin America where profits reached 35% while Asia, engaged in a more independent productive trajectory, the rate of return was 12% (FT Dec. 24, 2003: p13). Within Latin America, Brazil was the most lucrative country generating one of the highest returns in the world.

The year 2003 was a period of spectacular profits and gains by bond and stock market speculators and overseas investment houses. The Da Silva regime’s economic and fiscal policies were tailor-made to benefit the most parasitic sectors of the economy, those commodity sectors geared to overseas markets and the most rapacious overseas speculators. While bankruptcies soared and the producers for the domestic economy fell into a profound recession, the Brazilian main stock index rose to its highest level since it was founded thirty-five years ago in 1968. Da Silva’s regressive social policies, tight monetary policies, promotion of agro-export elites, budget and trade surpluses provided

ample incentives for the boom in the stock market. The stock market index (BOVESPA) rose from 11,268 in January 2003 to over 20,000 by the end of the year – one of the highest increases in the world (FT Nov. 28, 2003: p.19). The same is true with regard to returns on bonds. Brazil's market returns rose 60% during 2003 – three times the composite index for all “emerging market countries”. Stock market speculators were able to reap an 80% rate of return; bondholders saw their profits increase by over 60% under the most favorable conditions of any country in Latin America. The reasons for this “speculators paradise” is the direct result of the Da Silva regime's economic policies: the harsh budget cuts, the reduction of salaries and public employees pensions, the huge “budget surplus” of 4.3% -- these were directly or indirectly transferred to financiers, speculators, and bondholders. Overseas investors are the point of reference for all the major economic decisions taken by Da Silva's Finance Minister Palocci and the Central Bank as they have readily admitted. This “carnal relation” with the financial speculator sector is not a temporary or conjunctural phenomenon. Palocci announced on December 13, 2003 that a budget surplus of 4.25% would continue to be the regime's policy for the next ten years – an optimistic assessment of the “Workers” Party's electoral future.

In pursuit of this alliance with local and overseas financial and speculative interests, the Da Silva regime is pushing hard to secure legislation making the Central Bank “autonomous” from the legislature – thus increasing its ties to the big financial groups.

The ties with finance and speculative capital are justified as “gaining investor confidence” and “securing economic stability” in order to stimulate future growth. The fiscal deficit as a percentage of Gross National Product actually rose from 4.7% in 2002

to 5.3% in 2003, due to exorbitant interest rates on the internal public debt and negative economic growth.

The massive inflow of speculative capital in the paper economy was matched by the decline of private investment, including foreign investment, in the productive sectors and the sharp decline in public investment. Given the high interest rates, shrinking domestic market caused by 21% unemployment in greater Sao Paulo, it was less risky and more lucrative to speculate on the stock market and government paper than to invest in productive sectors, particularly the manufacturing sector. In effect the Da Silva regime's policies have led to the de-capitalization of the productive sector and the over-capitalization of the speculative sector – a formula that is clearly not sustainable in the medium term. Instead of following a policy of strengthening the national industrial bourgeois, Da Silva's policies are converting productive capital into speculative, thus reinforcing the rule of the overseas and local financial oligarchy. If the Da Silva regime is a “government in dispute” as some of the ‘leftists’ in the PT claim, it is not between capital and labor; it is between speculative and industrial capital.

Having anchored state policy to the volatile behavior of financial and speculative capital, the Da Silva regime has sharply reduced its options for the future. A sharp break would disrupt financial activities; a continuation of pro-speculative policies will perpetuate stagnation and heighten the chances of a major economic collapse.

Given the powerful structural linkages between finance capital and the Da Silva regime and in line with its wholly negative policies toward labor, the peasantry, public employees and the urban poor, the Da Silva regime is clearly a government of the Right.

A rigorous comparison with parties of the “center-left” (social-liberals), or of the center-right, demonstrates that the Da Silva regime lacks any program to increase welfare legislation, to develop a national industrial policy or even promote greater consumer spending.

Even on the bases of the regimes own goals of attracting long-term foreign investment (FI) in productive sectors, they failed: Despite all the concessions and the servile implementation of the IMF formulas, direct foreign investment fell to less than one-third its levels during the Cardoso years.

On the other hand the Da Silva regime has followed a coherent and radical neo-liberal agenda that is completely in line with the policies of the most retrograde sectors of finance capital. The fact that speculators were able to increase their earnings betting on the stock market by 113.6% in 2003 is emblematic of the Da Silva regime’s real political identity (FT, Nov. 28, 2003; p.1).

The boom in speculator investment in the Brazilian stock market has little to do with Da Silva’s long-term policy and is more the result of excess liquidity in international capital markets. In other words, an ‘external shock’, such as has frequently occurred in the recent past, could put an end to the stock market bubble.

Despite the massive debt payments, Brazil’s total public debt increased from R893.3 billion in 2003, to R965.8 billion in 2003 – about 8%. For 2004, public debt amortization will total \$37 billion USD. (Financial Times, January 16, 2004). Given the stagnant economy and the compression of living standards, many economists question the long-term sustainability of Brazil’s public debt. While the Central Bank reduced the

inter-bank interest rate to 17.5% in November 2003 (from a high of 26.5% in May), the market interest rates are prohibitively high. The average cost of borrowing is 71.3% while the average for personal loans is 149.3% (Financial Times, Nov. 21, 2003, p.3). These rates are not likely to stimulate any muscular recovery in 2004.

Agro-exports and Agrarian Reform

Agrarian policies illustrate the priorities and class nature of the Da Silva regime more than any other sector of the economy. The agro-export sector controlled by a tiny elite of plantation growers and agro-business multi-nationals experienced spectacular growth thanks to lucrative subsidies and tax incentives. In contrast the landless rural workers, the co-operatives and family farmers suffered the worst year in recent memory in terms of land distribution, rural credits and technical aid.

According to a year-end evaluation by the Rural Landless Workers Movement (MST): “During this year, the government did very little for Agrarian Reform. There were hardly any expropriations. Government credits via PRONAF were few and above all their form of application never reached the land reform settlements, which spent the year (2003) practically without resources. There were few projects in the land settlements. Few states contracted technical assistance for the land settlements. There was a great deal of bureaucracy and incompetence in INCRA (the land reform agency), (MST – Biblioteca de Artigos tematicos, Dec 2003).”

The Da Silva had promised to settle 60,000 families on expropriated land in 2003 and finished the year with 10,000 families. The MST had demanded the settlement of 120,000 families; Da Silva met 12% of the MST target. To put the immense failure of

the Da Silva regime in perspective, it is useful to compare the figures to the previous neo-liberal Cardoso regime, which averaged 40,000 families per year over an eight year period. In other words, the Da Silva regime barely reached 25% of the previous regime's dismal yearly record, a great leap backward for the agrarian reform movement, at least from the point of view of the landless workers. Moreover if we subtract the number of land settlers who were forcible evicted by the state judicial authorities (9,243 families), the net land reform beneficiaries is less than one thousand, in a country of 4.5 to 5 million landless families, numbering between 25-30 million impoverished rural people.

Over 200,000 families living in the most precarious conditions by roadsides and abandoned fields have dismal prospects for the immediate future unless they take the initiative and organize land occupations. The basic reasons for the failure of the Da Silva regime to implement land reform is because of the priority he has given to paying the foreign debt, meeting the austerity targets of the IMF and to promoting the agro-export sector. Funding for human rights issues like land reform have the lowest priority.

In October 2003, President Da Silva having clearly failed to meet his promises to the landless workers and having openly sided with the big agro-exporters, embarked on a scurrilous unprincipled attack on the MST and its agrarian reform proposal. "I am not going to carry out the agrarian reform which the MST is proposing, trading urban misery for rural poverty, simply to boost the number of land reform beneficiaries who produce nothing." (Veja, Oct 29, 2003 p.40)

Contrary to Da Silva's bombast, over the past 19 years 350,000 land reform beneficiaries not only produced millions of reales worth of food each year for the local market, but also have developed export products. Moreover almost all objective scholars

and journalists have noted the vast improvement in the lives of the land reform beneficiaries. In fact Da Silva has no alternative land reform, as the ex-president of the Land Reform Institute (INCRA), Marcelo Rezende, specified when he announced his resignation in August 2003.

The only agrarian reform which took place in Brazil resulted from mass direct action from below. Land occupations increased from 176 in 2002 to 328 in 2003, an increase of 86%. The number of organized campsites of landless workers preparing for land occupations increased from 64 in 2002 to 198 in 2003, an increase of 209%. (CPT Document Dec 21, 2003) The number of families that participated in land occupations rose from 26,958 in 2002 to 54,368 in 2003, an increase of 102%. The number of families organized in campsites in 2003 rose to 44,087 against 10,750 in 2002, a 310% increase. Between January and November 2003 there were 1,197 rural conflicts compared to 879 in 2002, an increase of 36%.

The landless workers no longer believe in Da Silva's promises; they are taking matters into their own hands and moving forward. The total absence of government support and initiatives has led to increased class conflict and an increasing reliance on direct action. On the other hand, Da Silva's positive support for big agro-export farmers and their allies among the judiciary has led to scores of arrests of rural activists and the assassination of dozens of activists (at least 80 by December 2003).

During the first year of the Da Silva regime, agrarian reform has been dismal by any measure. United Nations human rights observers, Brazilian Church (CPT) and human rights activists have recorded growing landlord violence and extra-judicial executions, state criminalization of social movements, arbitrary arrests and the continued

impunity of police torturers and assassins. The fundamental explanation lies in the deep continuity of the judicial, police and administrative apparatus from the past and Da Silva's refusal to acknowledge the unequal and selective implementation of law. The regime's de facto criminalization of the social movements aids and abets the local landlords to extend their para-police activities.

The second reason for the Da Silva regime's dismal human rights record is his economic team's deep commitment to creating a "favorable climate" for foreign investors – and Da Silva's determination to repress any signs of social protest as a "threat to social peace".

The third reason is found in the regime's agro-export strategy. Given the high priority which the Da Silva regime gives to meeting the demands of external creditors and fulfilling his agreement with the conditions of the IMF, his regime favors those sectors of agriculture which generate hard currency at the expense of those agricultural sectors producing food for local consumption. It is precisely the "triple alliance" between the Da Silva regime, the agro-export elites and external financial creditors that has undermined the regime's commitment to agrarian reform. It is the triple alliance that has led to the Da Silva regime's commitment to negotiate Brazil's entry into ALCA under conditions which permit entry of Brazilian agricultural exports into the US market in exchange for the free entry of US food imports which bankrupt local producers. To sustain this "model", the Da Silva regime has opposed demands for agrarian reform and criminalized social movements promoting agrarian reform while pressing the US to lower its tariffs and eliminate its quotas on soybean, citrus, cotton, sugar and other export staples. The problem of human rights violations in Brazil is not simply the result of local

officials or landlords but a deep structural problem embedded in the basic strategy of the Da Silva regime. The elites of Latin America have certainly recognized the value of Da Silva's strategy. The Folha de Sao Paolo (Oct 29, 2003) featured on its front page a poll among the elite of 6 Latin American countries which chose Lula as the "best President in Latin America" – exceeding all other neo-liberal presidents by a wide margin.

Under conditions, as in Brazil, where the entire economic team is composed of officials with structural links to foreign multi-nationals and domestic agro-export elites who embrace orthodox neo-liberal ideology, there is no possibility of "disputing for power in the regime". The year 2003 demonstrates that the advocates of the "inside strategy" failed to secure progressive social changes. Moreover as the year progressed, the orthodox neo-liberals moved further right, allying with traditional right-wing parties, extending their neo-liberal policies to all spheres of society and economy. Moreover, given the neo-liberal regime's centralized control of the PT and parliament it was and is impossible to expect any social changes from parliamentary or electoral activity. The only positive changes took place via direct action, extra parliamentary activity, land occupation, strikes and demonstration.

The major protagonists and principal beneficiaries of Da Silva's financial aid are the agro-business elites. Agricultural exports had a "boom year" growing by over 30% according to the Commerce Minister, Luis Furlan (FT July 2, 2003), and owner of one of Brazil's biggest food processing plants.

Brazil achieved a record trade surplus in 2003 projected at nearly \$20 billion USD in part because of a boom in commodity prices of soybean, iron and other prime materials, a decline in imports because of the drop in living standards and negative per

capita growth, as well as the economic incentives and deregulation introduced by the Da Silva regime, particularly Furlan. The Commerce Minister increased exports through generous subsidies— favoring exporters over domestic producers, eliminated regulatory measures on foreign investment, provided 20 “priority industries” (large scale exporters) with preferential loans at lower, subsidized interest rates, and exempted exports from a host of taxes, shifting the tax burden to wage, salaried workers and producers for the local market. The net effect of Furlan’s interventionist policies was to increase the profits and opportunities for the export sector, mainly agro-mineral, while prejudicing the small producers and landless workers. Clearly Da Silva’s lowering of wages, low minimum wage, and weakening of labor unions decreased labor costs and increased the profits of the “dynamic” export sector. The “export surplus” will not be re-cycled within the economy to support multi-sector growth, as much of the surplus in hard currency will be used to pay foreign and domestic creditors and speculator bondholders. There are few if any “spread effects” from the “export pole” to the domestic market. Moreover the success of the regime’s subsidized export sector is leading to the greater centralization and concentration of capital and land, as well as the expansion of export crops into the Amazon, thus destroying valuable ecological regions. The result of the highly capital intensive agro-mineral growth is to increase the poverty of the marginalized small farmer and unemployed landless rural workers, and predictably making a sham of Da Silva’s “Zero Hunger” campaign.

Via Campesina, the most inclusive large-scale, international organization of small farmers and peasant organizations, criticizes the agro-export strategies promoted in Brazil under Da Silva:

“Giving priority to production for export above production for local and national markets, leads to scarcity of food at the local level and provokes a separation between food, agriculture, fish and its important social dimensions.” (Declaration of Via Campesino and Coalition, Dec 12, 2003)

The documents correctly criticized the so-called G-20 dissident countries led by Brazil who questioned the Western powers at Cancun in November 2003:

“Even those governments which questioned the agenda of the European Union and the United States at Cancun continue with the negotiations which basically prioritize export-oriented agriculture.”

The document points to the fact that the agro-export strategies of regimes like Da Silva are willing to sacrifice domestic food producers in order to access markets for their staple exports:

“In many countries, especially in the South (read=Brazil), peasant production is being substituted by low price imports from other countries and by agro-industrial production oriented to exports, using cheap labor and taking advantage of the lax enforcement of social and environmental norms.”

The document pointedly attacks the Brazilian leadership of the G-20:

“While the G-20 is a necessary political counterweight to the USA and EU, it principally represents the exporters of the South, and does not defend the interest of the great majority of farmers and peasants who produce for local markets. Moreover (the G-20) has weakened its objections ...to the US and EU subsidies to their agro-export agriculture and that’s why they pursue greater liberalization of the agricultural markets in the South.”

The document identifies the conflict over agricultural policy as a class struggle rather than a “North-South” conflict:

“The true conflict – around food, agriculture, fishing, employment, environment and access to resources – is not between the North and the South but between the rich (agro-exporters) and the poor (the peasants and farmers producing food).”

The approach of Via Campesino to hunger is diametrically opposed to Da Silva’s agro-export practice and his failed “zero hunger” program:

“From the broad perspective of national and local economic development it is much more important to confront poverty and hunger by providing resources in a sustainable manner and producing in the first place for the local markets than to export.”

Da Silva’s agricultural strategy is logical, coherent and catastrophic for peasants, landless workers, farmers, the environment and the native peoples. The agricultural policy is built around a strategic structural alliance with foreign bankers, agro-business elites and multinational trading corporations. The logic is to promote agro-export elites to generate hard currency, to increase trade surpluses which will be used for prompt and full payment to foreign and domestic creditors. This will create confidence in foreign markets and lead to large flows of foreign investment ensuring future growth and rising income. From conception to execution the agro-export strategy is elite and foreign-driven. Poverty and employment is seen as a by-product, a “trickle down effect” of supply-side economics. In practice the strategy increases unemployment and sharply decrease real income and the number of land reform beneficiaries. After year one poverty and hunger actually rose in Brazil over the previous year, and the compensatory “zero hunger” program failed to make any comprehensive and sustained impact.

The Environment

The first months of Da Silva’s regime revealed the two-faced nature of his environmental policy. He appointed a progressive environmentalist, Marina Silva, as Minister of Environment, and proceeded to slash by 12% the ministry’s funding, thus severely limiting its capacity to protect the Amazon (among other locations) from the constant depredations of agro-exporters, principally soybean, and lumber barons. The environmental record of Da Silva is equally bad or worse than his predecessors.

Throughout the world, from Western Europe to India, from Africa to Brazil, farmers, peasants, ecologists and consumers have battled against the big agro-business corporations trying to impose genetically modified seeds and their chemical fertilizer and herbicide packages. Prior to the Da Silva regime, GM based farming was limited to isolated regions of southeastern Brazil. Without consulting congress, or the representative organizations of small farmers and landless workers, or environmental groups, the Da Silva regime decreed the approval of GM seeds, heeding the requests of Monsanto. Despite the opposition of a majority of Brazilians, the Da Silva economic team, led by its Minister of Agriculture, proceeded to impose the measure. The specter of chemical-based export agriculture threatens to undermine the precarious cost/price margins of small producers and may also prejudice exports to European markets. The spread of high cost chemical based agriculture is leading to the bankruptcy of millions of local producers. Apparently the Da Silva commitment to chemically based agro-export elites overshadows the terrible fate facing peasant farmers.

The second element of the Da Silva regime's policy of environmental degradation – particularly the Amazon rain forest – is the reduction of personnel, funding and resources for policing the Amazon region. With a 12% cut in budget, the already inadequate regulatory regime declined in effectiveness, and clear cutting of the rain forest expanded. Under Da Silva's leadership, Congress voted to reduce the rain forest by 50% of its current size. To promote the expansion of agro-export crops, livestock and lumber interests, Da Silva's 2004 budget is giving high priority to expanding road and highway building through the Amazon. Public investments projected for 2004-2007 are on the order of R189 billion (\$63 billion USD). To encourage the agro-mineral sector, the

regime plans to allocate R58.6 billion to promote exports. The environment is scheduled to receive R6.4 billion (about 10% of the funds for agro-business expansion). Da Silva's public investments program clearly favors those economic sectors most involved in exploiting non-renewable resources, most destructive of the rain forest and the Amazon in general, and those sectors likely to displace small farmers and encroach on lands reserved for Indian communities. Da Silva once more demonstrates his "courage" by catering to the interest of the most powerful MNC's, the most ecologically destructive industries and the most dubious practices of huge foreign-owned GM corporations at the expense of the poorest of the poor – the impoverished and vulnerable Indian communities and small subsistence farmers in the Amazon.(Adital Nov 24, 2003 "Plano Plurianual descredita preocupacao ambiental do Governo brasileiro)

Da Silva's policy is accelerating the process of turning a large swath of the northern Amazon into large scale soybean plantations, particularly in Para, where they compete with the timber barons in stripping precious, old growth timber like mahogany into highly lucrative, if illegal, exports. It is no surprise that one of the PT's congress members in Para, Airton Faleiro, is himself a big soybean grower. The numerous national and international appeals from ecologists, Via Campesino, intellectuals, MST and Amerindian organizations have fallen on deaf ears. Even worse, the Da Silva regime resorts to chauvinist rhetoric attacking "foreigners", accusing them of trying to impose restrictions on Brazil's growth, conveniently overlooking the promiscuous relations that the regime has with the foreign investors, bankers and trading companies.

Labor Policy: “Reforms” that Benefit the Bosses

What is important in analyzing a political leader is not where he comes from, but where he is going, not his past cohort, but his present and future reference groups. Political observers have been wrong in their analysis of da Silva because they focus on his distant past, his former trade union comrades, not his present allies among neo-liberal bankers, businessmen and imperialist regimes. When da Silva proposed a social pact between labor, business and the government purportedly to work for the betterment of the country, he set up a Social Economic Development Council to formulate policy recommendations. The composition and agenda of the Council revealed da Silva's pro-business, anti-working class bias. Of the 82 members of the Council, 41 are businessmen and 13 are trade unionists, a better than three to one proportion favoring the bosses. The purpose is to discuss tax “reform” - reduce business taxes - and social security “reform”, decrease payments to workers, pensioners and other beneficiaries. When da Silva was confronted with the preponderance of the business elite, he roundly defended his pro-business bias, embellishing his choices with an apolitical, meritocratic varnish and accusing his critics of nepotism. "This council", da Silva argued, “is not a friends’ club. I am not interested in knowing the party affiliation (sic) of the members of the Council or for whom they voted. What interests us is the competence, the capacity, their talent and knowledge to think for their country”(Tiempos del Mundo (Dominican Republic), Feb. 20, 2003, p.7). Da Silva conveniently forgot that his businessmen's disinterested talent for thinking for the country has resulted in the greatest social inequalities in the world. Da Silva deliberately overlooked the class interests of the business elite precisely because they are his strategic allies in his pursuit of orthodox

neo-liberal policies. The right-wing alliances of da Silva have already enmeshed his regime in a major scandal. In late February right-wing Senator Antonio Carlos de Magallaes from Bahia was proved to have tapped the telephone of over 200 congressmen, senators and other prominent political figures. The Senator supported da Silva during the presidential campaign and was seen as a strategic ally in providing support for da Silva's neo-liberal legislative agenda including labor "reform". When numerous deputies demanded Congressional hearings, President da Silva and his inner nucleus of advisors ordered PT congresspeople to vote against the congressional investigation - badly tainting the image of the "honest and open peoples' president."

Da Silva's labor reform strategy is directed toward weakening the trade unions, undermining constitutional guarantees of labor rights, and lowering labor costs to increase profits for employers under the guise of making exporters more competitive. His legislation proposes to eliminate payments by private sector capitalists to the trade union funds and abrogating obligatory payments of union dues. His second piece of legislation proposes to allow capitalist to secure labor contracts that override legally established workers' benefits (FT, November 26, 2002). The former metalworker bashes his workmates and repays the CUT for its electoral support by topping his legislative agenda with the principal demands of the industrialists' association.

Da Silva's mechanism is to co-opt the bureaucratic bosses of the CUT by offering them positions and stipends as advisors to his regime. CUT president Joao Felicio, one of the co-opted bureaucrats stated "We (sic) have a certain sympathy for the reforms, but they have to be negotiated and imposed gradually." The trade union national secretary of

the PT, Hergurberto Guiba Navarro bluntly stated the purpose of labor reform. "We are going to undertake a grand reform and many unions will disappear" (FT, Nov. 26, 2003, p.8).

Given da Silva's hard push of ultra neo-liberal orthodoxy and the co-optation of the CUT leaders, it is not surprising that the working class opposition comes from the public employees union, dissident CUT unions and, to a lesser extent, the right-wing trade union confederation Forza Sindical (FS). In March, the metal workers affiliated with FS went on strike over declining real wages. FS is making a show of fighting to reduce the work week from 44 to 40 hours, to increase severance pay and extend unemployment benefits (to increase coverage from 5 to 12 months), and for legal recognition of workers' representation on the shop floor. The da Silva regime is adamantly opposed to all of FS demands claiming they are inflationary and threatening repressive measures against what they dub political demands, an old ploy employed by all previous right-wing regimes, prior to lowering the police baton on striking workers' heads.

Human Rights

The level of human rights violations is directly related to the economic strategy adopted by governments. Throughout Latin America regimes intent on dismantling social welfare legislation, lowering living standards and especially promoting foreign investment and primary commodity exports for highly concentrated elites have a notoriously bad record on human rights. This goes for military or civilian electoral regimes intent on sacrificing labor to provide incentives to foreign investors and local

financiers. The Da Silva regime's record on human rights is a prime illustration of this hypothesis.

The most rigorous and systematic collection of data on human rights violations in the Brazilian countryside is conducted annually by the Pastoral Land Commission (Comissao Pastoral da Terra – CPT). Our discussion of the violations of human rights during the Da Silva regime will be based in large part on the CPT's findings for 2003. We will then analyze and discuss human rights in relationship to the economic strategy and its implications for understanding the politics of the Da Silva regime.

There are several measures to evaluate the Da Silva regime's human rights record during the first year in office. These include (1) assassination of activists, (2) jailing of peasant leaders and social activists, (3) activities of the paramilitary groups, (4) impunity of the military, (5) equal protection before the law, (6) recognition of the legitimacy of the land reform movement, (7) end of forcible eviction of landless squatters on uncultivated land, (8) realization of an extensive land reform.

Paramilitary formations at the hire and service of the landlords have expanded throughout the rural regions of Brazil during the first year of the Da Silva regime. The paramilitary forces operate with impunity, their presence has been televised and their interviews have been broadcast on the national media. In Parana, Para, Bahia and throughout the northeast, north central and even southeast of Brazil the para's operate frequently in association or complicity with the military police and with the tolerance of the judiciary. These "private security forces" have assassinated the great majority of peasant leaders under Da Silva's "hand off" policy.

The CPT's national campaign to outlaw these armed militias has elicited broad support from Brazilian and international human rights groups. This has had virtually no impact on the Da Silva regime which argues that under the separation of powers this is a "judicial affair" to be handled by the "states". Da Silva's policy has led to the proliferation of new paramilitary groups and death squads, including the First Rural Command (Primeiro Comando Rural) in Parana, which have targeted over 14,000 land settlement families for eviction.

In September 2003, 150 military police surrounded the MST headquarters in Sao Paulo and prepared for an armed assault on the pretext of looking for social activists accused of property violations (land occupations). Only the massive intervention of human rights groups, the Catholic Bishops and trade unions prevented a potentially bloody assault. The Da Silva regime eventually relented to avoid further tarnishing its international image with a massacre in Brazil's largest city. No inquiry was launched, nor were any officials reprimanded – and of course there were no "criminals" in the headquarters. The media effect however was to criminalize the social movements in general and the MST in particular.

Da Silva who actively sought and received the whole-hearted support of the MST and social movements during the election campaign, has washed his hands of responsibility for the growing judicial persecution, the arbitrary arrests and intervention of military police. Claiming "the division of powers" between the executive, legislative and judiciary, he has refused to use the authority and influence of his presidential office to call off the forces of repression or to uphold constitutional guarantees against arbitrary arrests and extra-judicial executions by paramilitary groups linked to big landlords. The

reason for Da Silva's unwillingness to act is found in his deep commitment to the promotion of the agro-export model, to sustaining a "favorable climate" for foreign investors and his perception that any interventions against big capital and their judicial, police and paramilitary allies would send the "wrong signals" to the "market".

It ill behooves a president who has supped in the houses of landless peasants to claim "neutrality" in this fundamental struggle for social justice and human rights. Da Silva's policies however are not "neutral", whatever his claims and recitation of textbook clichés about the division of powers. In effect his policies have given license to the most retrograde forces among the Brazilian elite to roll back the gains achieved over the past two decades by encouraging the eviction of land reform beneficiaries and land squatters, and to fomenting the lawless behavior of landlords and the corrupt judiciary which acts at their behest.

At the end of her 3 week visit in September and October of 2003, the United Nations envoy, Asma Jahangir, investigating summary executions by Brazilian police noted that, "Brazil is a democracy. But what I see here is a wretched, sad situation where there is no justice." (BBC News 10/10/2003) Two of the witnesses who gave testimony to the UN envoy on the operation of death squads in rural and urban areas were murdered shortly thereafter as if to confirm the pathetic state of human rights in Brazil. The UN representative noted that the problem is not merely a few local vigilantes but an institutional problem that permeates the Brazilian state. The UN investigator gathered detailed and extensive reports from human rights groups that linked the death squads with police officers and vigilantes. As Jahangir noted, "The police cannot fight crime by committing crimes." Da Silva has given lip service to the problem but has failed to

undertake any serious attempt at instituting reforms of the police, judiciary or other institutions concerned with law enforcement. In effect the “law” of immunity flourishes under Da Silva as it has under previous military and civilian regimes.

Brazil has the most extreme inequalities in land ownership in the world. Less than 1% of the landlords own 50% of the land, while 25 million rural families are landless. The question of an agrarian reform was the central demand for the most impoverished rural classes in Brazilian society, a demand backed by over two-thirds of the Brazilian public. Da Silva, during the election campaign, promised a “profound, integral agrarian reform within the law”.

From January 1 to November 30, 2003, the CPT counted 71 assassinations of rural workers, an increase of 77.5% over the previous year (43 assassinations in 2002) and the highest since 1990. In addition there was a 76.3% increase in attempted assassination (67) over 2002 (38). Serious injuries doubled in 2003 from 25 in 2002 to 50. The number of political prisoners increased from 229 to 265 in 2003.

Under the Da Silva regime there was a 227% increase in families ordered off the land by judicial order, while the number of landless squatters forcibly removed rose by 87.8% over the previous year. The year 2003 established a modern record in judicial expulsions: 30,852 families were served with 138 judicial orders by military police to abandon the land they were seeking to cultivate, the highest number in nearly 20 years of record taking by the CPT. In 2002, 63 judicial orders were issued evicting 9,243 families. A conservative estimate of 4 persons per family would mean that over 120,000 persons were turned off the land and onto the highways. In addition, there was a sharp increase in

families forcibly evicted by gunmen and local landlords without judicial authority. In 2003, 2,346 families were expelled compared to 1,249 in 2002, an increase of 87.8%.

The Da Silva regime hypocritically claimed that the federal executive power could not intervene, because these were matters for the judiciary, because there was a division of powers, that these crimes against rural workers were outside of federal jurisdiction and so on. In fact as President he is charged with upholding the constitution; he has the constitutional authority to support land occupations of uncultivated land, as stated in the Brazilian constitution. Da Silva's tolerance if not overt complicity in the violent repression of rural workers strongly suggest that in the increasingly polarized countryside he has in fact taken the side of the big landlords.

There are several factors explaining the Da Silva regime's benign neglect of human rights violations. First and foremost since the big landholders involved in the agro-export sectors are strategic actors in the regime's policy of surplus generation to meet debt obligations, Da Silva is very reticent to become involved in conflict involving any sector of the big landlords that might "unsettle" the big agro-exporters --hence Da Silva's resort to the subterfuge of "limited jurisdiction" and the "division of powers".

Da Silva's claim to "limited powers" however does not apply when it comes to positive action, on behalf of the landlords as is seen in his privatization-by-decree of state banks (bypassing Congress) and his more than two dozen trips abroad promoting business for agro-exporters. The sharp increase in human rights violations under Da Silva regime can also be accounted for by the increase in the number of land occupations by the rural landless movements. Under the mistaken assumption that Da Silva was a "friend of the movements" and that he would fulfill his promises to carry out a

comprehensive land reform the MST and other rural movements, increased their activities, believing that they were helping Da Silva to realize his promise. Faced with increased activity from the landless movements, and encouraged by Da Silva's promotion of agro-business and his unwillingness to enforce the agrarian clauses of the Constitution, the big landholders called in their private armies (labeled "private security forces"), their corrupt allies in the judiciary and local and state police to forcibly evict thousands of families. These violent activities were frequently preceded or followed by selective assassinations of activists.

In line with Da Silva's general policy of neglect toward human rights violations, landlords were emboldened to increase the use of slave and child labor. There was a sharp increase in the number of cases of exploitation of slave labor and the number of slave workers. In 2002 there were 147 cases, compared to 223 in 2003, an increase of 51.7%. The number of slave workers in 2002 was 5,559 compared to 7,560 in 2003, a 35% increase. The state of Para had the highest number of denunciations of the use of slave labor (169) involving 4,464 workers. Only 40% of the slave workers (1,765) were liberated.

Similar data has been reported about the growth of child labor in part because of the lax enforcement of the Da Silva regime, its low priority to social issues in relation to foreign investors, the sharp increase in unemployment and abandonment of tens of thousands of landless workers encamped in plastic.

The reticence of Da Silva to use his federal powers to enforce human rights is not a problem of law or constitutional constraints; it is a question of politics. To pass his orthodox economic policies and his regressive social policies, Da Silva has formed

strategic alliances with right-wing parties and leaders. These politicians have long standing ties to big landlords and the corrupt judicial officials who commit human right violations. Da Silva is thus indirectly allied with the most retrograde sectors of the rural elites, the major socio-economic bases of his political allies in the Congress and Senate. This alliance with the traditional right was evident in the Congressional vote on the Constitutional amendment to drastically slash the pensions of public employees. In 2004, Da Silva's alliance with the right became evident at the cabinet level with the inclusion of the conservative Brazilian Democratic Movement in the cabinet.

Even the liberal press, ridiculed the extreme measures which the Da Silva regime went to meet the harsh demands of the IMF. On Christmas Day, Folha da Sao Paulo (Dec.25, 2003) published an article pointing out that the government withheld spending over one-fourth of the budget allocated for the Fund to Combat and Eradicate Poverty in order to achieve the budget surplus agreed to with the IMF. Of \$1.7 billion USD allocated for poverty reduction, \$430 million USD was subtracted to exceed the budget surplus destined for foreign and domestic creditors. With \$430 million USD, the regime could have easily settled 100,000 landless rural workers, provided food for ten million hungry children, or halved the 21% unemployment rate of greater Sao Paulo. Few if any of the recent and plentiful crop of orthodox right wing, neo-liberal regimes have manipulated budgets to such an extent to "over-fulfill" IMF goals. The denial of available allocated public funds to millions of hungry, unemployed and landless Brazilian is probably among the worst human rights offenses of the Da Silva regime, a gratuitous insult to the poor through excessive servility to the IMF.

Zero Hunger: Zero Accomplishments

With his usual theatrical demagoguery, Da Silva proclaimed early in his Presidency that all Brazilians would have three meals a day by the end of his term. He then journeyed to his home town and announced a campaign of “Zero Hunger”, a program of providing a food basket to each and every family suffering from hunger. The program was a total failure, from every angle. To start with the initial program was cut by \$10 million USD to “adjust” the budget to pay the affluent creditors. Secondly the allocations of food reached a tiny fraction of the hungry. Thirdly the increase in unemployment and absence of agrarian reform increased hunger beyond the meager handouts of the top-heavy and under funded and rather inefficient bureaucracy running the program. Even in the “showcase” town where Da Silva was born the program failed. At the end of December 2003, Bishop Irineu Roque Scherer whose jurisdiction in Pernambuco State includes Caetes, Da Silva’s home village, declared, “The people believed, despite the drought, that with the election of a countryman as president they would secure water, but nothing has changed up to now.” Caetes is administered by Da Silva’s party, but thanks to the local and federal governments’ inaction and neglect the small farmers lost 90% of their crops of corn and beans. The Bishop pointed out that Da Silva “has a pretty speech which charms and convinces local people but the PT doesn’t follow through. Consequently the government promises, but nothing happens.” (Jornal de Estado de Sao Paulo, December 31, 2003).

Cardinal Paulo Evaristo Arns, a long time personal friend of Da Silva criticized the regime for its “indifference” and hoped that in 2004 Da Silva will be more “realistic” and not simply be a man of all talk. He went on to state that “perhaps the (economic)

situation for many people has gotten worse, given the promises he made.” (Jornal de Estado, *ibid.*). Even minimum investments in excavating wells for irrigation were not undertaken in the Northeast according to Bishop Irineu. The president of the National Conference of Bishops, Geraldo Majella Agnelo, pointed out that food baskets were not the answer to poverty, “Agrarian reform is the most important reform which the government can carry out because it goes to root of social injustice.” According to the Bishops, Da Silva’s “Zero Hunger” has not gone beyond emergency piecemeal activities and has failed programmatically. Even in his hometown, the food baskets have reached less than a fourth of the 2000 needy families living on R55.8 per capita a month (less than \$20 USD).

Even if Da Silva had carried out his food handout program to the 40 million hungry Brazilians it would have amounted to \$10 USD a year, 85 cents(US) a month or 2.5 cents a day, per person, enough for a banana for each family of 5. Da Silva, the self-styled “Worker President”, had the self-proclaimed ‘courage’ to raise the budget allocation to meet debt obligations from \$17 billion USD to \$19.4 billion USD – an increase of 14%. The “people’s” president’s \$2.4 billion USD addition to debt payments was a direct transfer from the social budget. Da Silva’s reputation as a “Robin Hood for the rich” is well known in international financial publications. On the last day of 2003, a journalist from the Financial Times graphically describes the impact of Da Silva’s economic policies:

A year ago Joao Baptista Andrade took his son on a 16-hour bus ride to Brasilia to celebrate the inauguration of Luiz Inacio Lula da Silva as Brazil’s first working-class president.

These days Mr. Andrade spends much of his time in a long unemployment line in downtown Sao Paulo. “Of course I’m disappointed. Lula promised us 10m jobs in four years and today there are fewer than a year ago,” he says.

Across town at Daslu, an elite fashion store where the rich drink tea while trying on designer shoes at \$1,500 a pair, business is flourishing. A customer exits with half a dozen servants carrying her holiday purchases.

“Lula seems to have come to his senses, I thought I was going to have to move to Miami,” she says before disappearing into her air-conditioned limousine. Financial Times, Dec 30, 2003 p.12

Da Silva’s ‘Robin Hood for the Rich’ policies led to astronomical 130% returns for speculators and investors. A leading business magazine declared Da Silva’s Minister of Finance Palocci “Man of the Year.”

A detailed study of Da Silva’s ‘Zero Hunger’ (ZH) program published in Outro Brasil in November 2003 reveals the weaknesses and ultimate inadequacies of the program. The researchers divide the ZH into two parts: Emergency aid food baskets for those who are indigent (receiving less than half the minimum wage) and structural changes. According to the study, only 6% of the budget was actually spent in the first quarter of the year. The projected population to be targeted if funds were available was limited to less than 10% of the “hungry” for brief intervals of time. The emergency food program was neither comprehensive, nor sustainable, nor adequately supervised and coordinated by the competing bureaucratic agencies. None of the structural changes related to hunger were pursued – employment, income, agrarian reform, irrigation and so on.

The distribution of “hunger funding” is very similar to the “food baskets” which the traditional party bosses hand out to the poor in sustaining their electoral machines, and neutralizing opposition to the unjust land tenure system. The problem of “food for the hungry” is ultimately related to the “free market” macro-economic policies, which result in subsidized food imports destroying local food producers and increasing rural poverty far beyond the paltry handouts of the Da Silva regime.

Taliban Neoliberalism and the Rights of Indians

At the end of December 2003 several thousand Indians invaded several farms close to Brazil's border with Paraguay to reclaim land stolen from their families. As Guarani and Karowa peoples occupied two large plantations in the state of Mato Grosso do Sul and camped outside of several others, the landlords fled. All the ranchers in the region illegally occupy Indian lands setting up large scale cattle ranches and forcing the Indians into destitution and many to suicide. While these conflicts have been simmering for some time, the Indians like all the popular sectors had received assurances from Da Silva that their claims and rights would be respected. After waiting 12 months and experiencing no substantial results from Brazil's FUNIA (National Indian Foundation) the Indians resorted to direct action. FUNAI officials in turn claim that the Da Silva regime has cut funding, personnel and lowered regulations thus undermining their capacity to act on behalf of the Indians. Throughout the Amazon, Indian communities are bitterly criticizing the regime for not acting to control the growing invasion of lumber barons, plantation owners, gold miners and landless settlers into their lands. In the state of Rondonia, the governor and the local judiciary work hand in glove with criminal gangs exploiting diamonds in the territory of the Cinta Larga Indian community. The killing and infection of the Indian population continues unabated. Over the past 30 years the Indian population has been reduced by one-third. In the recent past, 2.7 million hectares of Indian territory of the Cinta Larga has been illegally exploited and the land degraded by lumber companies exporting logs to the US and EU. The Da Silva regime has not taken any measures to enforce Indian rights. On the contrary its emphasis on exports, and hard currency has encouraged more exploitation and greater incursions. The budget

cuts have, according to FUNAI officials, undermined any effort to defend Indian rights. Da Silva's new political allies include the right wing governors and politicians promoting and defending the predators of the Amazon and the Indian territories, and that is probably the main reason the regime refuses to act. Da Silva prizes the right wing votes in Congress in favor of his IMF agenda over the rights of the Amazonian Indians. Indian resisters are arrested, prosecuted and sentenced to jail; the crimes against Indians are not investigated. Gunmen for the timber and plantation intruders have murdered 23 Indians in Brazil in 2003, including 5 in the south. In the meantime, hundreds of Indians have been physically assaulted or threatened, including two school buses transporting Indian school children. Impunity and unsolved crimes is the norm under Da Silva as it was under his predecessors...as big capital and their political backers at the local and national level press on devastating the Amazon and committing genocide against the Indians.

Part 3

Social Movements and Trade Unions

The CUT, the left labor confederation, with close ties to the PT, particularly da Silva, had numerous leaders elected to Congress and some are ministers in the regime. So far, few, if any, voiced criticism of da Silva's right turn. The CUT itself, though claiming 15 million affiliates, is largely bureaucratized, with a large staff and dependent on state funding. The CUT's power of convocation is very limited, no more than a few thousand turns out for major protests. From the beginning of the da Silva regime, the CUT leadership has adopted a double discourse. Shortly after da Silva's election, the CUT was invited to discuss the new regime's "Social Pact" to reduce pensions, postpone wage and minimum wage increases and to weaken the financial basis of trade union funding. The CUT leadership declared its independence from the government but agreed to continue to participate in the Social and Economic Council even though businesspeople and bankers outnumbered the trade unionists by more than three to one. Subsequently the CUT continued to criticize the harsh neo-liberal budget cuts and reactionary reallocation of funds favoring local and foreign bondholders, while continuing to support the da Silva regime. Worse, on the purported right-wing Social Pact the CUT's main difference with the neo-liberal economic team was the manner of its implementation -- advising the neo-liberals to "gradually implement" the anti-working class measures, rather than imposing the whole packet of harsh measures immediately. The CUT's servility to the da Silva regime is a continuation of the negotiating posture it has adopted with previous neo-liberal regimes, in part because of its dependence on

government subsidies. In addition, there are strong structural ties to the PT via the ex-CUT officials serving in the regime and the promise of a future position in the government or inclusion on the list of deputies for the next Congressional elections. Finally, there is the bureaucratization of the CUT, its leaders and staff have been running the unions in vertical fashion for over a decade, marginalizing militants and totally incapable of organizing the vast army of unemployed and under-employed. The results were evident in any major protest demonstration regarding ALCA, IMF or the rash of privatizations under Cardoso. The CUT leadership, having demobilized its membership for over a decade, was not able to put more than a few thousand in the street -- and most of those CUT members present were largely mobilized by militants from PSTU, PC do B and the left-wing of the CUT. Leaders of the MST have told me that the progressive sectors of the Catholic Church can mobilize more people than the official leaders of the CUT. What confuses outside observers of the CUT is the fact that its leaders show up to make speeches or sign declarations in favor of radical demands giving the impression that it is still a radical mass trade union. Despite the harsh anti-labor legislation envisioned by the da Silva regime, there are few signs of active opposition from the official leaders, though by late December of 2003 many class-conscious trade unionists were shocked and angry at what they perceived as da Silva's pro-business partisanship. Some investment advisers give da Silva another year before major conflicts will break out to challenge his neo-liberal agenda, urging Palocci and the rest of da Silva's team to take the fast track and ram the "bitter medicine" through Congress before the poor, the landless and the trade unions overcome their illusions about the "people's president".

The Left Intellectuals

The intellectuals backing da Silva's regime can be divided into orthodox Lulistas, and the neo-Lulistas, attracted by the neo-liberal policies and the chance to secure advisory positions in the regime or state 'contracts'. The orthodox Lulistas' main role, at least in the first six months of his regime, was to polish da Silva's image as a "people's president", apologize for his regime's reactionary pro-imperialist policies by citing the "difficult and complex world", "the impossibility of breaking with the IMF now" and elaborating a new "pragmatic" approach, which seeks to balance da Silva's right-wing economic policy-makers with the so-called "leftists" who operate in the interstices of tight budgetary and ideological restraints of the dominant right-wing group. Those intellectuals who sang to the chorus of the FSM's "another world is possible" now add a new refrain, "not, now, another day it's possible." The new pragmatists also serve as the ideological hatchet men who disparage and dismiss leftist critics of da Silva's right-wing policies.

The neo-Lulistas are not as harshly critical of the leftist critics, as they do not feel any obligation to cover their tracks to the right. By beliefs and practices, they position themselves as "technocrats" and "progressive" neo-liberals who are interested in a "heterodox" free market model that combines competitive markets and social spending, though they spend most of their efforts on the former and usually point to the future regarding any obligations to what is dubbed the "social debt".

The left intellectuals are spread across the political spectrum. Some remain part of the Left of the PT, others are outside the Party as well as the regime. A group of critical intellectuals have joined with the expelled former deputies of the PT to build a

new political and social movement to contest the savage cuts adopted by da Silva. Their party, “Socialism and Democracy” proposes to combine support for popular and electoral struggles. A great number of intellectuals who hoped that they could influence the regime via the progressive ministers in the government or via outside pressure have become pessimistic and demoralized.

By the end of year one an increasing number of intellectuals began to think in terms of regime change. But as yet their political future is undetermined. Some are drawn to the new Party, others to the Marxist PSTU, a few have taken an independent critical course.

The MST

The Rural Landless Workers Movement faces a profound dilemma: after years of building a successful mass independent socio-political movement that settled over 350,000 landless families on unproductive land via direct action (land occupations), it temporarily substituted electoral work for da Silva in the hope of positive agrarian reform legislation. They have been sorely disappointed. The past success of the MST were based on its capacity to prioritize independent mass action, even as it supported some progressive electoral candidates of the PT. Having relied on da Silva’s election as the fulcrum for a comprehensive agrarian reform, they are now faced with a regime that has repudiated every one of their supposedly “shared reforms”.

For several years prior to the presidential elections, there were open debates and discussions in the MST regarding the movement’s political future. Some argued that the PT was turning into a conservative or social democratic electoral party and that many of

their state and locally elected leaders were hostile to agrarian reform and, in some cases, actually repressed land take-overs. They concluded that the MST should form its own party with other social movements and leftist groups. A second group conceded that the PT was becoming more conservative and they also repudiated the right-wing PT governors and mayors, but they argued that the MST should run its own candidates in the PT or at least work more actively within to influence it in a more progressive direction. The third force and the most influential, at least among the national leadership, tried to bridge the differences. They agreed to work outside the PT to try to coalesce with the progressive church, human rights groups and left intellectuals to elaborate an alternative program and organization. Thus was born the Consulta Popular (CP) which began with great fanfare and then declined in part because it was combined with the old tactic of influencing the PT from within. In effect, the CP was neither a new movement nor a new electoral party. It was squeezed between direct action and electoral politics and was not able to attract any sizeable trade union or urban support.

Da Silva's electoral campaign of 2002 demanded and secured from the MST an unprecedented concession: the stoppage of all mass direct action -- no land occupations - arguing that this would "play into the hands of the right", "scare" the middle class voters and cost da Silva the elections. Unfortunately, for the first time MST fell into the trap. They stopped mass action and joined the electoral campaign despite da Silva's reactionary alliances and the clear hegemony exercised by pro-imperialist interests. The MST substituted vague "populist" statements for class analysis -- after all tens of millions of poor would vote for Lula and their expectations for a rupture with neo-liberalism would force Lula to respond positively.

Predictably, da Silva, upon taking office, ignored the “popular expectations” or better still asked “pardon” for ramming the neo-liberal pole up the populace’s backside. Unfortunately, most of the MST leaders continued to hold out hope, that da Silva, and the impotent minister of agrarian reform and other left functionaries in the same ministry would make a “left turn”. Miguel Rossetto, the Agrarian Reform Minister and member of the left Socialist Democracy tendency of the PT, argued he would do everything to comply with the agrarian reform promises within the extremely limited budget constraints imposed by his government -- a clever piece of demagoguery.

Meanwhile, tensions were mounting within the MST as rank and file activists and over 200,000 land squatters who were camped out under plastic tents, suffering heat, cold, food shortages and mosquitoes were becoming restless. An increasing number of land takeovers began to take place. A movement like the MST must act or disintegrate. No positive measures were forthcoming from the da Silva regime. Agrarian reform was relegated to the back burner, along with zero hunger and other of da Silva’s electoral promises. The argument of some MST leaders to work from within was wearing thin. Some national and regional leaders publicly expressed their discontent with the government’s unresponsiveness (Folha de Sao Paulo, Feb. 9, 2003). The government appointed several progressives sympathetic to the MST and other groups to the Agrarian Reform Institute (INCRA) -- but with few resources. A few later resigned or were fired. More important, da Silva has taken an extremely rigid and hostile position toward the traditional land occupation tactics of the MST -- a promise to apply the full force of the law [sic] to repress the movement. He argues that any agrarian reform measures will

have to be part of a regime sponsored program -- which the post-election budget promises to be totally insignificant.”

Many of the regional and local MST leaders and activists recognize that the landless rural workers have no future with the da Silva regime, that the movement will have to part ways and return to the tried and proven method of mass direct action.

Threat to the Left

The da Silva regime represents two dangers. In the first instance, his regime represents a threat to the living standards, working conditions and social life of the vast majority of small farmers, landless rural workers, wage and salaried workers and pensioners of Brazil. The threat is all the more acute because it comes from political parties or a coalition of parties and social organizations that were the prime defenders of the working and peasant classes, who have now joined their enemies and thus leave the masses temporarily defenseless. In addition to the physical pain and social suffering which the da Silva regime is bringing about, the right turn will cause immense social psychological damage, provoking mass disillusionment not only with the PT regime and its public faces, but it will bring mass disenchantment with the whole spectrum of parties, trade unions and social movements who promoted da Silva as the “people’s president”. Equally important, the PT ideologues, like Frei Betto, who have justified da Silva’s politics as “realistic” and/or “pragmatic” have made plausible, especially to ill-informed leftist intellectuals, the idea that there really is no alternative to adapting to the neo-liberal policies. By assimilating da Silva’s right-wing policies to a general leftist label, the lulista ideologues threaten to redefine the left along the neo-liberal politics of the Spanish

Socialist and British “New Labor” parties, in effect, emptying Brazilian leftist politics of its essential welfare and socialist content.

Secondly, the international left, which has joined the Lula chorus, is leading the popular movement toward a massive political debacle. The ill-informed effusive praise of da Silva’s electoral victory as the greatest revolutionary change since the Cuban revolution, Salvador Allende’s election or the Sandinista revolution, prepared the ground for a popular disillusionment as the reactionary policies begin to penetrate popular consciousness.

Two outcomes are likely. On the one hand, a part of the Latin American left will take da Silva’s right-wing path as a model and abandon historical anti-imperialist and redistributive popular demands -- citing the “constraints” facing da Silva and other such rationalizations. This course has been adopted by the Broad Front (Frente Amplio) in Uruguay. On the other hand, other left-wing movements will rethink the entire electoral strategy, particularly the relation between party and movement. From a practical, historical perspective, it is clear that the divorce of the PT from the mass movement and mass struggle early on laid the groundwork for its class collaboration practices and eventually pro-imperialist regime policies.

The dynamics of class struggle and the emergence of direct action mass movements like the MST were instrumental in creating a challenge to the neo-liberal orthodoxy, particularly in the context of failed neo-liberal states. Economic stagnation, deepening inequalities, ballooning external debt -- together with a leftist critique -- created the basis for the decline of the traditional neo-liberal right, but not the sufficient conditions for the rise of radical or even reformist alternatives. Instead, the political

conditions of a new virulent orthodox neo-liberalism has emerged based originally on the working class, the middle class, the landless workers, led by plebeian ex-leftists, but now allied with and subordinated to the agro-mineral elites and finance capital.

The PT's radical rupture with its leftist past did not result in losing popular support in the short term because of the plebeian nature of the leaders, the manipulation of popular imagery and the hierarchical, personalistic and authoritarian nature of the party leadership. The popular origins of leaders neutralized internal opposition and enforced conformity with the right-wing course during the first year. After all, who was willing to stand up to the "people's president" when da Silva embraced George Bush, the eminent warmonger of our epoch and called him an "ally of Brazil"? Who stood up among the pragmatic ideologues of the "people's movement"?

Da Silva has a clear, coherent neo-liberal strategy based on an alliance with the IMF, Washington, overseas investors and creditors. He and his advisers have put in place an effective strategy to limit internal party opposition, using the carrot (of offering ministries and secretariats) and the stick (threats of censure and expulsion to persistent critics). Through state patronage and party discipline, he has converted PT mayors and congress people into transmission belts for his harsh austerity programs. There are exceptions, of course; a handful of PT elected officials who still uphold the traditional social democratic, reformist program, but they have been marginalized, abandoned in large part by their former comrades with a voracious appetite for the spoils of office and small fiefdoms of state power. The regime has the power and will to impose the harsh neo-liberal policies on the country, on the lower classes and enforce compliance within the party.

The overwhelming control of the PT leadership was manifest in the first meeting of the National Directorate after the election of da Silva on March 16, 2003. Two proposals were put forth for approval. The neo-liberal resolution supporting the right wing political economic course of the da Silva regime received 70% of the votes (54 votes), the left dissident proposals received 28% (21 votes) and there were two abstentions. The resolution explicitly established in doctrinaire fashion the arguments and logic justifying the policies of the regime, establishing the theoretical and practical reasons for the adoption of the neo-liberal strategy (monetarism, adjustments etc...). The resolution affirmed that the pro-business policies and support for the IMF were not tactical but principled positions. The meeting also reflected the consolidation of control of the party apparatus and the almost total marginalization of the left tendencies. The resolution, the meeting and the vote left little doubt that there was absolutely no hope of reforming the party from within, or pressuring the leadership to make a “left turn”. Staying in the PT means supporting the party of the IMF, George Bush, ALCA, the enemies of Venezuela’s President Chavez and joining border patrols with Colombia’s paramilitary president Uribe – an indefensible position, at least from a popular leftist perspective.

Da Silva’s opposition in the PT, in contrast, is ideologically disoriented and strategically and tactically impotent. Unwilling to embrace da Silva’s radical “redefinition” of the “reformist” program (from social welfare to orthodox neo-liberalism), they search for a new strategy and program. Outside of the PT, some of the movements have narrowed their horizons, setting aside their opposition to da Silva’s general embrace of the pro-imperialist agenda in favor of seeking “sectoral reforms”;

agrarian reform, urban programs for the favelados, etc. Even in these “sectoral strategies”, the opposition has lowered their demands in their effort to “realistically” adapt to da Silva’s budget cuts and compliance with foreign creditors.

In the first year the opposition left PT and the social movements, having put all their efforts into supporting da Silva, continued the hopeless task of working within the elite, hierarchical party apparatus. They had no influence in changing the course of the regime.

What about an “outsider strategy” -- those who have decided to oppose the da Silva regime from the outside? These include the new Socialism and Democracy Party, the PTSU and others. Strategically they should be in a powerful position. The da Silva regime and its neo-liberal policies will lead to a more profound social, financial and economic crisis than that which affected the Cardoso regime. Budget cuts and the payment of the debt undermine productive investments, weaken the domestic market, increase future debt obligations and lead to stagnation.

The decline in pension payments, the real reduction in the minimum wage and the deterioration of social services have lowered living standards and income by 15%. Payments to wealthy bondholders, subsidies to big agro-exporters and inflation widened inequalities. The extreme right turn of the da Silva regime, the precipitous decline in living standards and the deepening recession will eventually lead to a decline of da Silva’s initial high popular ratings.

The PT’s expulsion of 3 dissident congress members and 1 senator led them to create a new political party. The four have substantial national and regional backing. Early in 2004 they convoked a national meeting to form a new party. More seriously

there are differences between the new party and the PSTU over the nature of the new party and it appears that they will not be able to unite forces.

The question of the effectiveness of the left-wing political opposition to the da Silva regime is crucial. The small but disciplined United Socialist Workers Party (PSTU) has been gaining influence among trade union militants in the CUT and currently influences about ten percent of the Confederation. The PSTU and the Socialism and Democracy Party have potential for growth, but can become a formidable opposition only if they find allies with more significant social movements, church dissidents and trade union forces. One such configuration could find left-wing MST leaders, a sector of the CUT, progressive Catholic clergy and left parties coming together to form an alternative opposition coalition or political party, one which focuses on mass direct action over and against electoral politics. This possible formation has tremendous possibilities in taking up the banners of anti-ALCA, debt repudiation, internal market development, agrarian reform and re-nationalization of strategic industries and banks. Millions of Brazilians are on record in opposition to every one of da Silva's policies. The anti-ALCA referendum was supported by ten million voters; of the 52 million who voted for da Silva, the overwhelming majority voted for a political-economic rupture with the past neo-liberal policies, not a continuation and deepening of the same.

Despite the favorable strategic objective and even subjective conditions for the re-emergence of a new left-wing formation, there are several severe limitations. First is the absence of a mass social movement with a national presence that is capable of serving as a pole for regroupment. The new mass political party has to be created in the course of the social struggle which will, in the beginning, be led by social and political fragments

of the exploited classes. Secondly, the new political formation will have to engage in a harsh ideological struggle to unmask the “people’s president” and expose the profoundly reactionary, continuist nature of his regime. This will take time and effort because the defenders of the regime range from the majority of the mass media to the polemical ideological apologetics by ex-leftists associated with the da Silva regime. Thirdly, the new political formation will have to achieve a high degree of principled political behavior, avoiding alliances with right-wing critics, though there is plenty of room for possible tactical alliances with the moderate trade union, Forza Sindical, on issues of wage, salaried and labor legislation. Fourthly, the political formation must develop theoretical and programmatic clarity, regarding the nature of the neo-liberal crisis, the new militarist colonial imperialism of the U.S. and the major contradictions undermining the viability of da Silva’s economic model.

Finally, the new political formation must organize and organize and organize. There are over ninety million Brazilians living in poverty, most of whom are not organized and will be further impoverished by da Silva’s policies, the so-called zero-poverty program notwithstanding. There are 25 million landless Brazilians in the countryside, 95 percent of whom will not be the beneficiaries of any land reform, but who will be further marginalized by da Silva’s promotion of the agro-export strategies. There are 40 million un- and under-employed who have no future employment prospects, given da Silva’s budget cuts and high interest rates. Hundreds of thousands of small and medium sized enterprises (and not a few large national firms) face bankruptcy from the high cost of credit and the free trade policies (ALCA) promoted by da Silva’s regime.

The political opposition has a formidable challenge in organizing the unorganized, otherwise there will be spontaneous protests which will be harshly repressed as da Silva has promised the international investor class. They will have to face mass disenchantment which could be attracted to the right-wing patronage parties who support da Silva today, but who will abandon a sinking ship, as they have always done in the past.

Finally, the new political formation, while appealing to the discontented voters abandoning da Silva, must make a thorough and complete break with the PT, a party which, like many others in Europe and Latin America, began on the left and has become the New Right.

There is no inevitable outcome to the Brazilian experience. Objective conditions are favorable, subjective opportunities are emerging, but the question of political leadership is still an open question.

Conclusion: Perspectives for 2004 and Beyond

Regime economists and the IFI's (IMF, WB and so on) are predicting that Brazil will grow by 3.5% in 2004 based on a series of optimistic assessments of new large scale flows of foreign capital, the slack in unused capacity, favorable commodity prices and high demand, and expansion of domestic consumption based on rising income. Even accepting these dubious projections, 2004 will barely recover a part of the losses in living standard suffered in 2003. The prospects for substantial growth in 2004 even under optimal external conditions (rising commodity prices, expanding markets, new trading agreements) are dubious. This is particularly the case in relation to the domestic market. The proposed pluri-annual budget allocates billions to meet interest payments. The substantial cuts in domestic public spending impose a serious constraint on domestic growth, while the enormous outlays to foreign creditors will not be compensated by any large scale, long term investments.

In other words, 2004 will see at best a very weak recovery (least of all on a per capita basis) and greater inequality, intensified plunder of the environment and continued human rights violations. This will result in mass disenchantment with the broken promises of the Da Silva regime. Even worse, 2004 will see the increased presence of the right wing parties in the government along with long-term financial agreements that prejudice any strategic alternative development strategy.

The consolidation of the richest and most powerful and retrograde economic elites as central economic actors, both in terms of public financing, private profiteering and governmental policy makers means that Brazil is in for a period of socially regressive development, based on an extraordinary precarious set of external circumstances.

Volatility and high risk accompany the Da Silva economic teams high dependence on rising commodity prices, flows of speculative capital, expanding external markets and continued compression of income of workers, farmers and public employees.

Commodity prices have historically gone through predictable cycles of high prices, world-wide expansion of production and borrowing on unpredictable future returns leading to over-production followed by a sharp decline in prices and demand, resulting in sharp reductions in regime revenues, highly indebted producers, and severe deficits and balance of payment problems. This, in turn, leads to the flight of speculative capital, precisely when the regime seeks investment to compensate for external imbalances, deepening the financial crises and putting enormous stress on the entire financial system. The attempt by the regime to impose greater austerity on the population which is already being squeezed to finance creditors and to increase profits for investors (“making them competitive”) is likely to promote widespread social unrest and extra-parliamentary activity. Given the transfer of almost all strategic financial, mining, trading and manufacturing industries to foreign capital, and given the “autonomy of the Central Bank” (closer linkage to overseas bankers), the regime lacks the necessary economic levers and resources to intervene in the economy and stimulate growth.

The systematic shift in the governing PT’s social base, the disenchantment of public employees, rank and file industrial workers and rural landless workers, and the large scale recruitment of new members on the bases of small favors, patronage and party-appointed jobs means that the regime does not have a reliable social base to sustain it in times of economic crises. The “neo-Lulistas” are easily recruited with promises of jobs and leave quickly when budgets are slashed and job promises fail to materialize,

emptying the party-state apparatus of its electoral activists. To sustain the orthodox neo-liberal policies and the Da Silva regime's alliance with the Right requires more than 3.5% growth in 2004 – it requires a period of sustained expansion of the world economy, a decline in security threats, the ending of protectionism in the US and Europe, the total immobilization of labor and peasant organizations. All of these assumptions are highly improbable.

The US and EU are highly unlikely to end farm subsidies and protection. The economic recoveries of the US and EU are very problematic and even less so beyond 2004. The US will continue its military colonial policies leading to permanent global insecurity and it is likely that the social movements, trade unions and left wing parties will resist the regime's efforts to neutralize them.

By the end of 2003, it is clear that the Brazilian left had suffered severe political and social defeats. But it is also true that a substantial sector of the left is wiser, and conscious of the fact the Da Silva is a formidable adversary not a friendly ally.

The rightward turn of the Da Silva regime has spurred a range of explanations. In the first few months of his regime, Da Silva loyalists argued that the orthodox neo-liberal policies were “tactical moves” to stabilize the economy before turning to social reform. This argument lost credibility as Da Silva's policies, appointment alliances and legislation all converged into a logical coherent orthodox neo-liberal strategy. Subsequently a variety of other explanations emerged. In the opening section of this essay, we pointed to a multiple factor explanation which encompassed: a) the evolution of the PT from a movement-based party into an electoral machine build around the persona of Da Silva and his personal coterie of advisers; b) the rightwing alliances and

elite financing of many of the governors, mayors and other elected PT officials leading up to the Presidential elections of 2002; c) the changing class composition of the PT Party Congress, highlighted by the predominance of middle class professionals, party officials and trade union bureaucrats, rising to 75% in the last party congress; d) the programmatic shift from a socialist agenda in the 1980's to a social welfare program in the 1990's to social-liberalism prior to the presidential election and finally to the orthodox "Taliban" neo-liberal practice of the PT presidency. An additional argument by the Brazilian sociologist and former founder of the PT, Francisco de Oliveira, is the transformation of the trade union bureaucrats into a "new class managers of millions of dollars, directors of public firms and public funds". (Critica Social Nov 3, 2003) Working closely with bankers and investors this "new class" is now in cabinet positions or Da Silva advisers and share the neo-liberal policies of the bankers and corporate directors who formulate Da Silva's economic strategy. (Folha de Sao Paulo October 29, 2003, pA11)

These ex-trade union bureaucrats turned congressmen, cabinet ministers and fund managers have strong ties with many of the existing CUT leaders including its current head, Luiz Marinho. Their goal is to subordinate the workers to the regime, supporting greater restrictions on labor unions, undermining salaries and pensions and above all preventing any unified mass based direct action against Da Silva's neo-liberal policies. (Oliveira, op cit) The bureaucratization and degeneration of the CUT over the past decade was noted early in the 1990's by Brazilian sociologist, Ricardo Atunes. Having collaborated with capital and previous neo-liberal regimes prior to Da Silva, the trade union bureaucrats took advantage of their longstanding ties to Da Silva to enter into

his regime and openly promote the interests of capital against labor. The revival of the Brazilian left thus faces new formidable barriers in pursuit of jobs, land, dignity and justice – their former political leaders and trade union officials, now allied with the US, the IMF and the Brazilian elite, and backed by the resources of the state and the support of the mass media.

The social opposition to Da Silva has so far been confined to sectoral protests and strikes by public employees, metal workers and urban squatters – with mixed results: the public employees were not able to defeat Da Silva's slashing of pensions, while the metal workers were able to secure some improvements in salary. The rural landless workers movement, including the MST has continued land occupations, but under increasingly repressive conditions and with incomprehensible illusions among some national leaders about the nature of Da Silva's regime. The progressive Church, the CPT, CNBB and even Caritas have voiced strong criticism of Da Silva's orthodox neo-liberal priorities but like the MST hope the regime will change in 2004. The CUT has demonstrated neither will nor capacity to mobilize against Da Silva, divided between a collaborationist leadership and increasingly discontented base. The four expelled PT parliamentarians have made a courageous break with the PT and are engaged in numerous mass meetings to build a new party. It remains to be seen how effective they are in regrouping and unifying the disparate but growing mass opposition to Da Silva.

Most of the disenchanted workers are withdrawing support from Da Silva rather than joining new parties. This can change as more and more of the populace sees through Da Silva's populist theatrical "plain talking" and understand his servile and unconditional support for foreign investors, agro-exporters and speculators. In this regard, Da Silva's

“style of politics” is a central problem that requires serious analysis and critique since it plays a big role in mystifying the poor, even as he strikes blows against their living conditions, social demands and hopes.

Da Silva had mastered the art of combining symbolic gestures to the movements and common people with substantial economic concessions and resources for the rich, including the foreign rich. For the poor he enacts emotional scenarios accompanied with acts of personal compassion: He cries real tears faced with child poverty. Abruptly he follows with a major reduction in social spending and massive transfers of wealth to the creditors. He meets with the MST and playfully puts on one of the organization’s hats and then in a press conference ridicules their agrarian reform program, reassuring the big agro-exporters with increased subsidies. Da Silva has mastered the pseudo-populist demagoguery of the US ex-president Clinton by telling the poor he “feels their pain”, while he proceeds to push one regressive measure after another, lowering the minimum wage, facilitating the firing of workers and criminalizing the social movements. We can sum up Da Silva’s style of politics as “populist in form and reactionary in content.” Over time content will determine form, just as material existence will influence consciousness but it is not an automatic process. The year 2004 will not lead to a collapse of the Da Silva regime but it will be a turning point for the social movements, left wing parties and the Church: They can begin “the long march” toward the construction of a new mass political party-movement, where the direct needs of the people orient the organization and direct action becomes the main vehicle for struggle.