Brazil’s Workers Party chooses textile magnate as candidate

Bill Vann
22 June 2002

In an electoral maneuver aimed both at winning votes and placating foreign investors, Brazil’s Workers Party (PT) has chosen a multimillionaire textile magnate and leader of the right-wing Liberal Party (PL) as its vice presidential candidate in elections set for October.

The PT’s perennial presidential candidate, former Sao Paulo metalworkers union leader Luiz Inacio “Lula” da Silva, will run on a ticket with Jose Alencar, the owner of Coteminas, the biggest textile corporation in Brazil, worth over $500 million.

To cement the alliance, Lula had to suppress opposition from the leftist intellectuals and militant workers who have in the past supported the PT. For Alencar, the problem was overcoming opposition from the Universal Church of the Kingdom of God, a Christian evangelical movement that forms the principal base of the PL, many of whose elected representatives are church leaders.

Alencar, a former vice-president of Brazil’s National Confederation of Industries, employs some 16,000 workers in 11 textile plants concentrated in his home state of Minas Gerais.

The right-wing ex-union bureaucrats and politicians who control the PT supported the alliance, arguing that Alencar would serve as a “shield” against the charges from major investors that a PT government would spell economic catastrophe for Brazil.

The major Wall Street banks and investment firms have blamed a recent run on Brazil’s currency and a slump in government bonds sales on polls showing Lula beating his nearest rival, Jose Serra, the candidate of the ruling government coalition, by a 2-to-1 margin. Investors have cited the PT’s previous calls for a default or renegotiation of the country’s foreign debt as a reason for wariness.

In an attempt to reassure foreign investors, the PT and Lula have pledged to respect all economic agreements signed by the current government and are expected to unveil the party’s most conservative economic program ever at the end of this month. The party also dispatched its senior economic advisor to New York and Washington recently to pledge a Lula government to the defense of private property and profit.

The alliance with the Liberals will inevitably mean moves even further to the right by Lula. While the PT has long allied itself with the Rural Landless Workers Movement, a group that has staged occupations of estates to pressure the government for agrarian reform, Alencar has denounced the movement as nothing more than “criminals.”

The PL has also demanded that a Lula government retain the country’s current Central Bank president, Arminio Fraga, a former adviser to billionaire investor George Soros who is identified with a policy of astronomical interest rates that have mired the country in recession for the past four years.

The peculiar alliance between the ex-union leader and the right-wing millionaire has prompted protests from leftist intellectuals and militant workers who have supported the PT, as well as derision from the party’s opponents. Paulo Maluf, a corrupt fixture on the right of Brazilian politics since he was installed as Sao Paulo’s mayor by the military dictatorship more than 30 years ago, said that the choice of Alencar demonstrated that Lula wanted to end any association between the PT and left-wing politics.

Maluf said he had been impressed with the depth of Alencar’s reactionary views after hearing him interviewed on a radio program. “I felt like a communist,” he said. “He is to my extreme right.”

Brazilian economic analysts have little confidence that the PT’s embrace of the right will have any major impact on the markets. The country's economic crisis continues to deepen despite the emergency measures announced by the government of Fernando Henrique Cardoso last week, including drawing on $10 billion worth of IMF credits to defend the real. The Brazilian currency has continued to slide against the dollar, reaching record lows. And the Wall Street credit rating agency Moodys downgraded Brazilian bonds from "stable" to "negative," classifying them as the most risky investments in the world after Argentina and Nigeria.

While investors have cited fears of the PT coming to power, the country's economic crisis has far deeper roots in a massive public debt of more than $250 billion, more than 70 percent of the country's economic output. With the real's fall relative to the dollar and the necessity to offer ever-higher interest rates to sell government bonds, Brazil is caught in a vicious economic spiral. Interest rates already stand at 18.5 percent, strangling economic activity.

Confident talk of Brazil being immune to "contagion" from the economic collapse of neighboring Argentina has given way to real concerns that South America's largest economy may also face a catastrophic meltdown.

"Whoever was saying that Brazil had escaped unharmed from fallout from the Argentine crisis is reviewing their position," wrote Celso Pinto, chief editor of the business daily *Valor*. "All attention is now on Brazil, the presidential elections and the internal debt." The influential daily *Folha de Sao Paulo*'s leading commentator Clovis Rossi called the debt "a time bomb ... ready to explode in the lap of the next government." That government, he warned, "could be engulfed by a huge crisis."

If that happens, and Lula is elected in October, the former metalworkers unionist will find himself at the head of a regime charged by the Brazilian bourgeoisie and the IMF with imposing unprecedented economic austerity and suppressing massive social upheavals.