

# Brazil's Lula: From Porto Alegre to Davos

Bill Vann  
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Brazil's recently inaugurated president Luiz Inacio "Lula" da Silva flew to Switzerland Friday night to participate in the World Economic Forum in Davos. Lula boarded the flight only hours after delivering a speech to the World Social Forum in Porto Alegre in Brazil's southern state of Rio Grande do Sul. The latter annual gathering of anti-globalization activists, including supporters of Lula's own Workers Party, or PT, was initiated three years ago in direct opposition to the Davos meeting of world bankers and heads of state.

"Another world is possible," has served as the slogan of both the Social Forum and the PT itself. But after only a few weeks in office, the administration headed by Lula has made it clear that as far as it is concerned, the International Monetary Fund and world finance capital will continue to dictate the limits of Brazil's possibilities.

Supporters of the PT government have sought to quell protests from the activists in Porto Alegre over Lula's trip to Davos, claiming that he is going to the meeting of the financial elite to make a case for a global campaign against poverty and hunger, or "globalization with solidarity."

One PT leader, Sao Paulo Mayor Marta Suplicy, went so far as to portray Lula's approach to the bankers in Davos as a revolutionary act. "Lenin said that the proletariat should not refuse any audience to expose its ideas," she declared.

The principal ideas that Lula and his entourage will be sharing with the luminaries of world finance capital in Switzerland, however, have nothing to do with Marxism or social revolution. They are pretty much the stock-in-trade of the IMF and the finance houses. His job is to convince world investors that despite all odds his government will continue to squeeze out of the country's battered economy payments on a \$260 billion debt that many view as unsustainable.

In advance of the meeting, the Lula administration raised interest rates to 25.5 percent—their highest level in four years—to signal world investors that it would take an even tougher stand against inflation than the former

government, no matter the impact in terms of rising unemployment and poverty. Finance Minister Antonio Palocci went further in a speech to businessmen in Porto Alegre, saying that the government intended to increase the amount of surplus it withholds from the federal budget in order to assure debt repayment.

A former left-wing student activist who became a fiscal conservative after winning election as mayor of the city of Ribeirao Preto in the state of Sao Paulo, Palocci made no apologies for presenting his message of economic austerity against the backdrop of anti-capitalist protests at the World Social Forum. "I can't give different messages in different places," he said on the eve of his flight to Davos.

Palocci said his principal concern was making it clear to international investors that Brazil would abide by the austerity conditions set by the former government's agreement with the International Monetary Fund on debt repayments. In an earlier epoch, the PT had made the repudiation of the debt a central plank in its campaign platform.

Speaking in Davos, Anne Krueger, the IMF's first deputy managing director, praised the economic policies of the Lula administration. "The Brazilian government has done very well up to now," said Krueger, who has directed the IMF's economic wrecking operation against Argentina. "It is managing expectations very well and has a responsible approach to the problems."

Lula was inaugurated at the beginning of the year amid celebrations by up to half a million supporters in Brasilia. Some among the petty-bourgeois left in Latin America proclaimed the swearing-in of the former metal worker and union activist to be the advent of the region's first "workers government."

There is no doubt that reflected in the massive vote for the PT was the demand among the majority of the Brazilian population for sweeping changes in a country that is among the most socially unequal in the world. According to some estimates, the wealthiest 1 percent of Brazilians account for a greater share of the national

income than the bottom 50 percent.

In the end, however, Lula became the favored candidate of the most decisive sections of Brazilian and international capital as well, precisely because of the PT's repeated pledges that it had no intention of carrying out such changes.

In the run-up to the election, the PT took extreme steps to win this confidence. These included the selection of a right-wing textile magnate and evangelist as Lula's running mate, an explicit pledge to carry out to the letter his predecessor's agreement with the IMF, and, finally, the naming of a Wall Street investment banker as the head of the Brazilian Central Bank.

Ernesto Zedillo, the former Mexican president who has emerged as a prominent spokesman for the transnational corporations and defender of capitalist globalization, summed up the attitude of ruling circles toward Lula in a recent article for *Forbes Magazine*:

"I sincerely believe that, paradoxically, the president-elect will prove both the skeptical markets and his now-enthusiastic grassroots supporters wrong. And he will disillusion his abundant populist fellows throughout Latin America who feel redeemed by his election...

"During his campaign and certainly since his election, da Silva has shown a remarkable capacity for rapidly endorsing policies that he had not so long before vigorously opposed." This, for Zedillo, is the highest form of praise.

Zedillo argues that should Lula fail to implement ruthless economic austerity policies, the value of the country's currency, the *real*, will plummet further, already sky-high interest rates will soar and Brazil will face the kind of ruin that has befallen Argentina, with "widespread bankruptcies, ruinous levels of inflation and dramatic increases in unemployment and poverty, as well as social and political unrest.... Quite simply: hell."

He continues: "To be honest, though, the alternative is not heaven. To restore confidence and put Brazil's economy back on a path to growth ... Mr. da Silva will have to implement policies that will be anything but popular. He will have to further slash government expenditures, even in socially and politically sensitive areas; raise tax revenues; provide formal and effective autonomy to the central bank; and accelerate structural reforms to make the economy more competitive.... Frankly speaking, Mr. da Silva must dose his country with even more bitter medicine than that prescribed by the International Monetary Fund."

This, fundamentally, is why Lula has been brought to

power. He is called upon to use his prestige as a former union leader, imprisoned under the dictatorship, to implement even more ruthless attacks on the working class and oppressed masses than those carried out by previous right-wing governments.

The new administration has advanced the call for a "social pact," bringing together Brazilian business executives and trade union bureaucrats to push through an agenda designed to make Brazilian manufacturing more competitive on the world market. Proposed changes include the repeal of laws limiting the rights of employers to fire workers, cut wages and eliminate benefits; tax breaks for the corporations; and a "reform" of the country's pension system.

One of the founders of the World Social Forum alternative summit in Porto Alegre issued an open appeal to Lula, urging him not to attend the meeting in Switzerland. "Lula should not go to this banquet of those responsible for the misery of the world; he should not lend his prestige to this party of a few bankers responsible for creating hunger in Africa, Asia, Latin America and here in Brazil itself. Lula should not be on the other side of the barricade," wrote Emir Sader, a Brazilian sociologist, who is an adviser to the Landless Workers Movement (MST).

Yet, there he is. And no amount of rhetorical window dressing about "compassionate" globalization can conceal that this is a government brought to power in an effort to stifle a social explosion. Inevitably, the rising expectations of the masses of Brazilian workers and poor will come into a violent confrontation with the reality of the PT administration's right-wing policies.



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