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Deaths of Key Government Figures Affect Policies in Brazil

by LADB Staff

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Brazilian President Fernando Henrique Cardoso lost two key political allies within two days. The deaths of Communications Minister Sergio Motta and Deputy Luis Eduardo Magalhaes could slow passage of several important government initiatives and could also affect the president's re-election efforts. "This is a terrible blow for Cardoso," said former political coordination minister Luiz Carlos Santos. "I think you are going to see the president taking a much more active role in the coordination of the political process."

The 57-year-old Motta, who had a history of health problems, died April 19 from complications from a lung infection. His influence in the government came not only from his position as minister but also from his 30-year friendship with Cardoso. Motta's death occurred while Cardoso was attending the Summit of the Americas in Santiago, Chile.

The president returned to Brazil to attend the funeral and left immediately on a scheduled trip to Spain. The trip was cut short, however, by the death of Magalhaes. The 43-year-old deputy, son of Senate president Antonio Carlos Magalhaes one of Brazil's most powerful politicians died of a heart attack. Motta steered TELEBRAS breakup As communications minister, Motta engineered the dismantling of the giant state-owned Sistema Brasileiro de Telecomunicaciones (TELEBRAS), dividing it into 13 separate companies, which are scheduled for sale later this year. The privatization could bring the government coffers as much as US\$35 billion. One of Motta's major accomplishments was winning public support for the sale of the telecommunications monopoly, which has been spared the widespread opposition many other privatizations have faced (see NotiSur, 07/25/97).

Because of his extensive and careful preparations for the TELEBRAS privatization, Motta's death is expected to delay but not derail the process. The effect on pending legislation could be more significant. "The death of Motta will affect the speed of constitutional reforms, and it could delay the already established schedule for privatizations," said Amalia Estenssoro, economist for Latin America at Daiwa Europe. "As far as privatization is concerned, he had taken all the precautions to ensure that the process was set. So, the risk is that it is delayed, but I don't think there is any risk of it not happening." Luiz Otavio C. Marcondes, superintendent of Brazil's telecommunications regulatory agency, sought to reassure the public and said the government would stick to its commitment to sell off the telecommunications monopoly by July.

Motta was a founder and key strategist for Cardoso's Partido da Social Democracia Brasileira (PSDB) and the administration's strongest lobbyist with members of Congress. Analysts said Motta's ability to build consensus in the multi-party coalition will be greatly missed. Nicknamed "The Bulldozer" for his girth and straightforward approach that moved opposition out of the way, Motta was the person most able to hold together the various parties in the coalition, essential to Cardoso's re-election. Magalhaes was being groomed for a presidential run Luis Eduardo Magalhaes, of the

conservative Partido da Frente Liberal (PFL), coordinated the agenda of the governing coalition in Congress and was credited with the recent passage of several constitutional reforms (see NotiSur, 11/21/97). He also calmed any turbulent waters in the alliance between Cardoso's PSDB and the PFL, Brazil's largest party.

The two parties, along with the Partido do Movimento Democrático Brasileiro (PMDB) and the Partido Progressista Brasileiro (PPB), form the governing coalition.

Magalhaes was the PFL candidate for governor of Bahia, and his victory was considered a sure thing. He was mentioned frequently as a possible successor to Cardoso in 2002. "I am devastated," said Deputy Arnaldo Maderia of the PSDB. "We lost two key government figures. Motta was the administration's spokesperson and Magalhaes the principal negotiator in the House." "The two were fundamental in the negotiations between the PSDB and the PFL," said Deputy Alberto Goldman. "From a political perspective, things are complicated. But from a human perspective, it was an enormous loss."

On April 25, Brazilian stocks had their steepest one-day drop in three months on concern that the deaths of the two political leaders could slow the government's effort to cut spending and sell state companies. The Bovespa index for the Sao Paulo stock exchange fell 2.7% after Magalhaes' death was announced. "These are very negative developments for the government," said Bolivar Lamounier, a political scientist with IDESP, a Sao Paulo-based economics think tank.

Policies and re-election hit by deaths

The president's most immediate and difficult task is to reorganize a team that can carry on the policies of constitutional reform and privatization. On April 29, he named Luiz Carlos Mendonca de Barros, head of the state Banco Nacional de Desenvolvimento Economico e Social (BNDES), to replace Motta as communications minister. Andre Lara Resende, an presidential advisor on pension reform, will replace Mendonca de Barros at the BNDES. "The president wanted to reinforce the idea, send a very clear message, that there will be no delays in the sale of TELEBRAS," said Rodrigo Fiaes with the investment bank Banco Icatu.

The most pressing legislative concern is an upcoming vote to slash spending on pensions, part of a group of reforms that Cardoso has been trying to get passed since his election. The administration says the bill, held up for more than three years, would save the government about US\$5 billion a year. "The voting is already at an advanced stage where political parties have taken their stances, so approval still looks likely," said the IDESP's Lamounier. Another economist took a different view, however, predicting that if not killed outright, Cardoso's legislative priorities could be postponed.

"[The deaths of Motta and Magalhaes] suggest more than ever that the reforms will have to wait until after the elections," said Ian Campbell, chief Latin America economist at ABN Amro Bank in Amsterdam. Cardoso has been meeting with key advisors to make passage of the key constitutional reforms a priority. The deaths could also affect Cardoso's re-election campaign. Motta was his campaign treasurer in 1994 and was expected to play a key role in the re-election campaign this year (see NotiSur, 06/06/97). So far, Cardoso is maintaining his lead in the polls as other candidates search for issues to capture voters. [Sources: Associated Press, Inter Press Service, 04/20/98; CNN,

04/22/98; The Miami Herald, 04/23/98; EFE, 04/20-23/98, 04/28/98; Clarin (Argentina), Reuters,
04/21/98, 04/22/98, 04/28/98, 04/29/98]

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