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## **Brazilian President Fernando Henrique Cardoso Replaces Cabinet Ministers**

by LADB Staff

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Brazil's President Fernando Henrique Cardoso made several changes in his Cabinet July 16 in an effort to restore public support and end fighting among his allies in Congress. Many political analysts and business leaders said the changes did not include any big surprises and were mostly moving the pieces in the political chess game. Cardoso had asked all Cabinet members except Finance Minister Pedro Malan and Defense Minister Elcio Alvarez to offer their resignations on July 13.

Following intense negotiations, Cardoso reassigned four ministers and named new ministers to the posts of Science and Technology, Agriculture, Justice, and Budget. Cardoso also created a new Ministry of National Integration to coordinate development in Brazil's poor northeast and the sparsely populated north and west-central regions.

"The changes were necessary to adapt to the country's new economic, administrative, and political situation," Cardoso said in a nationally televised address. "We need a united and cohesive government, unconditionally supported by allied parties, and not a government broken into factions."

The president emphasized that the ministers were expected to follow his orders, not the orders of their parties. He added that Latin America's largest economy would press ahead with structural reforms, emphasizing that a return to growth was crucial. "Without fiscal responsibility, there will not be sustainable growth," he said.

### *Little change in balance of power within coalition*

Political analysts had been speculating for weeks that Cardoso was preparing changes to restore his authority within his fractious coalition. The coalition includes the president's Partido da Social Democracia Brasileira (PSDB), part of the Partido do Movimento Democrático Brasileiro (PMDB), the Partido da Frente Liberal (PFL), and the Partido Popular Brasileiro (PPB).

The twice-delayed announcement of the Cabinet changes brought rumors of strong behind-the-scenes disagreements among coalition members. Michel Temer, head of the lower house and leader of the PMDB, had promised the president that the parties in the coalition would give him ample leeway to make Cabinet changes as long as he maintained the number of PMDB ministers. Senate president Antonio Carlos Magalhaes of the PFL let the president know his party was unhappy that it was not consulted before asking for the Cabinet resignations.

The PMDB is the strongest party in Congress and is key to the president's ability able to obtain the three-fifths majority needed to pass constitutional reforms. In the outgoing Cabinet, the PMDB had five posts, but the party also had influence among opposition forces in the Congress. Former

president Itamar Franco, now governor of Minas Gerais, has led efforts within the PMDB to break with Cardoso. Earlier this year, Franco announced he would not pay his state's debt to the central government (NotiSur, 1999-01-15). Shortly after that, Cardoso was forced to devalue the real currency, and his support began to drop.

### *Cabinet strengthens economic team*

The president named his close friend and chief of staff Clovis Carvalho to head the Development, Industry, and Commerce Ministry, replacing Celso Lafer. Budget Minister Pedro Parente replaced Carvalho as chief of staff, ensuring closer links between the president and the economic team led by Malan. Aloysio Nunes Ferreira of Cardoso's PSDB will head the new Presidential Secretariat, sharing political coordination with Communications Minister Joao Pimenta da Veiga. Budget Ministry executive secretary Martus Tavares will take over as budget minister.

Cardoso also named independent Jose Carlos Dias, a former secretary of justice for the state of Sao Paulo, as justice minister to replace Renan Calheiros. Calheiros had been widely expected to leave the ministry after a dispute with the government regarding its choice for the new head of the federal police. The president named PMDB Sen. Fernando Bezerra to head the newly created Regional Integration Ministry, putting him in charge of social-development projects.

Cardoso moved Ronaldo Sardenberg to the Science and Technology Ministry from the Ministry for Special Projects, replacing Luiz Carlos Bresser Pereira. Antonio Pratini de Moraes of the PFL was named agriculture minister, taking over from Francisco Turra, who had also been widely expected to leave his post. The new Cabinet ministers took office July 19 amid expectations that government bickering that has stalled economic reform would end.

The most important change for the country, still feeling the effects of the January devaluation, was the nomination of several officials who should carry greater weight with Congress on economic issues, analysts said. "It was a positive announcement with one of the best moves being Pedro Parente," said Luciana Fagundes, an economist at Lloyds Bank in Sao Paulo. She noted that Parente was close to powerful Senate president Magalhaes.

Parente also has experience in debt negotiations with state governors, whose support Cardoso needs to push through fiscal austerity measures required for the International Monetary Fund (IMF) bailout. "The main winners are in Pedro Malan's economic team, which avoided the appointment of rival 'developmentalists,'" said David Fleischer, a political analyst at the University of Brasilia.

The developmentalists advocated spending to stimulate growth while Malan's team has focused on austerity measures to reduce the budget deficit. Most political analysts, however, considered the changes "timid," and said they would not likely resolve conflicts within the coalition. The changes appear to strengthen Magalhaes' rightist Partido da Frente Liberal (PFL), which gained a Cabinet post through Pratini de Moraes' appointment.

### *Popular support drops after devaluation*

For the opposition, and for some government allies, the changes will not end the economic and social problems. "The changes give the government breathing space, but they are not going to solve

fundamental problems, such as the serious unemployment crisis, which are bringing down the support for the president," said Jose Genoio, head of the Partido dos Trabalhadores (PT) in the lower house. "The truth is that he only changed the minister of justice with the departure of Renan Calheiros. The rest was window dressing."

Cardoso's support plunged following the surprise currency devaluation in January, as unemployment soared to 15-year highs. The president's popularity is now at the lowest point since he first took office in 1995. The Cabinet changes were announced shortly after independent polling firm Vox Populi released its latest survey in which barely six months into Cardoso's second term only 12% of respondents rate his performance "good," while 86% categorize it as "awful, bad, or OK."

Many analysts believe that the reshuffle will do little to improve Cardoso's popularity. Only economic recovery and jobs creation are likely to send his ratings upward. Cardoso had to emphasize austerity the first half of the year because of conditions imposed by the IMF. As the situation has begun to stabilize and the IMF goals have begun to be met, people are looking to Cardoso to adjust his priorities and keep his campaign promise of "development with social justice."

But some analysts say the president responded in his usual way changing something so that nothing changes. The daily newspaper O Globo wrote that the new Cabinet should serve to "widen the government's political base," and thus increase support in Congress. But whether Congress, now on winter recess, will cooperate when it returns in August remains to be seen. "Only time will tell in August and September whether this new arrangement will improve the cohesiveness of the government bloc in Congress, to mobilize effective majorities to pass remaining reforms in the second half," said Fleischer. [Sources: Spanish news service EFE, 07/14-16/99; Notimex, 07/14/99, 07/16/99; Associated Press, CNN, 07/16/99; Clarin (Argentina), 07/15/99, 07/17/99; Reuters, 07/14/99, 07/16/99, 07/19/99]

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