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Brazilian Government Rejects Farmers Demands

by LADB Staff

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Brazilian President Fernando Henrique Cardoso is taking a hard line against thousands of farmers protesting high interest rates and pressuring the government to forgive part of their debts and renegotiate the remainder. Thousands of farmers parked trucks and tractors in the center of Brasilia, the national capital, demanding passage of a bill before Congress that would write off 40% of their debts, estimated at US\$14 billion. The bill also would give farmers 20 years to pay off the remaining debt, with a four- year grace period and fixed annual interest rates of 3%.

The demonstrators included some small farmers, but they were a fraction of the 13,000 to 15,000 large landowners estimated in Brasilia by the Confederacion Nacional de Agricultura (CNA). The farmers say they will remain in the capital until the bill is passed. On Aug. 17, Agriculture Minister Marcus Vinicius Pratini de Moraes offered farmers a reduction of up to 30% for debts below US \$5,320 and 15% for larger debts. "This is what is possible, given the government's fiscal restrictions," said Pratini de Moraes, who pointed to the fiscal goals set with the International Monetary Fund (IMF) for improving public accounts. He said the administration is also negotiating with rural leaders ways to keep production from suffering from constant price swings and to avoid the need to renegotiate debts every year.

Insurance for agriculture is indispensable in a country with such a high level of production, where until now credit guarantees have only protected banks, not farmers," Pratini de Moraes said. The government said the farmers demands would cost US\$10 billion during the next seven years, while its offer would cost US\$2.25 billion during the same period.

Government offer not enough for farmers

Leading rural-based politicians dismissed the administration's offer. Federal Deputy Abelardo Lupion said the measures "only benefit farmers unburdened by debt and don't resolve the farming problem." Leaders of the "ruralist" bloc in the legislature, Deputies Ronaldo Caiado and Augusto Nardes, say they want compensation for the losses suffered by farmers from the fight against inflation since 1994 and from high interest rates.

Francisco Galli, a rural leader from Parana a major farming state in southern Brazil said the 1994 economic- stabilization plan curbed inflation by freezing farm prices and sharply raising interest rates, which drove up the amount owed by the agriculture sector by 65%. The agriculture crisis deepened following the devaluation of the real last January (see NotiSur, 1999-01-15, 1999-03-05).

The rural caucus also wants guarantees for private property and a crackdown on land occupations by the Movimento Sem-Terra (SMT). The Union Democratica Ruralista (UDR), an organization of large agricultural producers and landowners that supports the CNA, has made official action against the MST a priority. The UDR frequently contracts private security to block MST- sponsored invasions, often leading to violent and sometimes deadly confrontations in rural areas.

Political problems trouble president

The crisis has complicated the president's political agenda. The rural caucus has 195 deputies of a total of 513, and most are members of parties that form part of the governing coalition. As the new congressional term began, Cardoso hoped to pass not only the social-security reforms but a tax reform and a "fiscal responsibility" measure to control spending by local governments. In preparation, he reshuffled his Cabinet last month, hoping to strengthen support in his four-party governing coalition (see NotiSur, 1999-07-23).

For five years, Cardoso and powerful Senate president Antonio Carlos Magalhaes of the Partido da Frente Liberal (PFL) worked together to keep the economy on track. Now cracks are appearing in their relationship. Magalhaes, considered Brazil's most powerful politician, has begun to oppose what he calls Cardoso's "bitter measures" to cope with economic crisis. "It's not just because we're close to a municipal election and then a presidential election," said Magalhaes. "It's also because we're aware that a lot went right, but other things, including the social policy, didn't."

Magalhaes called on Congress to create a fund for the poor of up to US\$4.5 billion from existing government funds and new taxes, including one on "luxury" sales such as tobacco and alcohol and on the incomes of rich individuals and businesses, to help "victims of calamitous inequality." "The existence of 40 million people living in absolute poverty is an embarrassment in a country like Brazil, which is not poor," Magalhaes said.

Magalhaes' opposition comes just when Cardoso needs his support to enact the IMF-engineered economic reforms. Now, his chances of passing the legislation and controlling the US\$65 billion federal budget deficit seem to be dimming. Cardoso's popularity ratings are also at their lowest point ever. In the latest Vox Populi poll, 59% of respondents give Cardoso a "bad" job rating, while 28% rate it "all right" and 12% consider it "good." The number of Brazilians who rate Cardoso's job performance as bad has increased since April, when it was 46%. By June, it had risen to 51%.

Political analyst Elio Gaspari, a frequent critic of Cardoso, said the latest figures are "politically unjust, even though they are understandable and even totally predictable." "Cardoso's government is bad, but not as bad as indicated by the polls, which gauge discontent and not executive management," said Gaspari. He said that "despite all his mistakes, principally the indecision and political arrogance, Cardoso is better than his predecessors, such as Fernando Collor de Mello," who resigned in 1992 amid a corruption scandal. But he warned that "Cardoso is dangerously close to the level of unpopularity that Collor had when he resigned."

"Cardoso has no room to maneuver," said Fernando Rodrigues of the daily newspaper Folha de Sao Paulo. "Business owners are unhappy, governors and mayors are on the verge of war, and more than half the population condemns the federal government." He said Cardoso can only hope that the economy improves significantly in the near future. "The game all the politicians are playing is that Cardoso is on a tightrope, and they're all shaking it to see who can get him to fall," said Alexandre Barros, a political consultant in Brasilia.

Nevertheless, some analysts think Cardoso could turn this immediate crisis to his advantage, especially if he refuses to give in to wealthy landowners. Cardoso has said that 80% of the debt is held by large landowners and signing the bill would pass the tab on to the people. "One thing is to support small farmers who need the renegotiation and another is to give a handout to those who don't need it at the cost to the public coffers," said the president.

On Aug. 18, Cardoso said if Congress passes the bill, which has been approved by the Agriculture Committee of the Chamber of Deputies, he will veto it. [Sources: The Miami Herald, 08/10/99; Spanish news service EFE, 08/16/99; Associated Press, 08/07/99, 08/16/99, 08/17/99; Reuters, 08/05/99, 08/16-18/99; Notimex, 08/11/99, 08/17/99, 08/18/99; Clarin (Argentina), 08/17/99, 08/18/99; Inter Press Service, 08/18/99; The Financial Times, 08/19/99]

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