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Brazilian Government Unveils New Social Plan Following Massive Protest

by LADB Staff

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Brazilian President Fernando Henrique Cardoso faced the largest demonstration of public opposition in five years Aug. 26 when as many as 100,000 people marched in Brasilia demanding changes to the government's economic policies. While downplaying the size and importance of the demonstration, the administration, caught between conflicting demands to create jobs and cut spending, quickly unveiled a new social-development plan that promised something for everyone.

The march followed on the heels of a demonstration by 15,000 farmers Aug. 16-19, calling for passage of a bill to forgive 40% of their debt (see NotiSur, 1999-08-20). On Aug. 24, after four hours of debate, the lower-house panel voted 33-18 against the bill, saying that it would require US\$7 billion in spending that can only be authorized by the president. The proposal can only be salvaged if the full Congress votes to overrule the committee.

Opposition to the government's economic policies has grown as the administration has pushed fiscal austerity to fulfill requirements set by the International Monetary Fund (IMF) for a US\$41.5 billion bailout package (see NotiSur, 1998-12-18). Despite an upturn in the overall economic picture, Cardoso has not regained the public's confidence nor has he convinced the legislature to pass additional IMF-required reforms. "The economic problems were overcome," said Sao Paulo Gov. Mario Covas. "The exchange-rate crisis has been controlled, the economy is beginning to grow, and unemployment has lessened. The problems that now confront the government are political."

Ceara Gov. Tasso Jereissati also called for changes to the government's economic plan, saying he is not sure what economic model the government should adopt, "but the one they have is bad, it doesn't work, and they need to change it." "The government seems to believe that fulfilling the macroeconomic goals set by the IMF is enough to return things to normal," said Jereissati. "It is not enough. Society cannot eat goals or macroeconomic indicators."

March fills streets of Brasilia

The March of 100,000, which began as the protesting farmers were leaving Brasilia, was led by opposition political parties, especially the Partido dos Trabalhadores (PT), the Movimento Sem Terra (MST), the Central Unica dos Trabalhadores (CUT), and the Catholic Church's Pastoral Social. The statement by march organizers said that, as Brazil endures its worst crisis in decades, "the people can no longer bear so many sacrifices provoked by the disastrous neoliberal policies of the Cardoso government."

During the day-long protest, leaders presented Congress with a petition with 1.3 million signatures calling for a congressional investigation (Comissao Parlamentar de Inquerito, CPI) into the privatization of telecommunications giant TELEBRAS last year and whether Cardoso favored certain

companies in the bidding. Although estimates of the size of the march ranged from 30,000 to as many as 130,000, it was undoubtedly the largest protest yet against the administration.

Cardoso called the march organizers "directionless," and government officials said the opposition has no viable alternatives to the spending cuts, privatizations, and inflation-fighting policies they say will ensure long-term economic stability. Cardoso's lack of leadership increases public frustration. Some analysts say the economy is on its way toward recovery.

Nevertheless, seven months after Cardoso began his second term, most Brazilians view the economy negatively. A majority believes the privatizations that earned the state billions of dollars were a waste of resources, according to a survey conducted by the Datafolha Institute published by the daily Folha de Sao Paulo. Unemployment remains high, providing political ammunition for the opposition. As frustrations increase, Cardoso's popularity has plummeted. Economist Maria Conceicao Tavares described Cardoso as a "Queen of England of Brazil," because he no longer governs, but faces the consequences while his economic team makes all the decisions.

The bishops conference (Conferencia Nacional dos Bispos do Brasil, CNBB) released a statement warning that the recent demonstrations show growing discontent and are a disturbing warning sign. "It is necessary to break the dominance of the market logic, which forgets the human being," the CNBB said. "A globalization centered on financial interests that benefit a few and exclude the great majority cannot be accepted." "This demonstration is a signal for the government. When they see a mountain of people in the street, it is because something is happening," said Chamber of Deputies president Michel Temer. "Brazil needs a review of the economy to improve social conditions."

Opposition leaders promised to turn up the heat. The Catholic Church has called for a nationwide protest called the Cry of the Excluded for Sept. 7. "This is just the beginning," said Luiz Inacio Lula da Silva, two-time PT presidential candidate. "We hope that Cardoso listens and hears the cry of the people." Brazil's leaders finally acknowledged that the rally carried an important message and that the government had to redirect Brazil's economic goals. "This march serves for reflection, so that the criticisms can lead us to correct policies," said Partido da Frente Liberal (PFL) Deputy Inocencio Oliveira.

Plan Avanza Brasil greeted with some skepticism

Four days after the march, Cardoso unveiled his Plan Avanza Brasil. Analysts said the protests and demonstrations forced the president to return to his campaign promises, which had been shelved to deal with the economic crisis. "There is much tension, much anxiety, and the population is at its limit," said the president. "They cannot be satisfied, and I am not satisfied either."

Cardoso's economic-recovery plan banks on 4% growth in each of the next four years. The US\$600 billion plan will build a strong, just, competitive, and better country for Brazilians, said Cardoso. It will create 8.5 million new jobs in the four years, reducing the jobless rate by 1.5 percentage points. The unemployment rate in July was 7.5%. The plan will include 358 programs designed to meet the basic needs of the Brazilian people in such areas as transportation and highways, energy, telecommunications, education, and health. It also promises to end illiteracy, now at about 20%. About 18% of the money will come from the states and the rest from private business.

Cardoso also presented a streamlined budget for 2000 that tried to juggle the demand for renewed growth with the need to generate a surplus equivalent to 2.65% of GDP or US\$14.8 billion. It predicts growth in 2000 at 4% of GDP with 6% inflation. Planning, Budget, and Administration Minister Martus Tavares said the government plans to guarantee the surplus by conditioning expenses to the availability of financing. He said interest rates, now at 19.5%, will fall to 13% next year.

Some analysts called the budget's mix of social and orthodox fiscal policies "astute," and said it showed the government was back on track and concerned about social discontent even as it struggled to control spending. "After all the uncertainties of the past few weeks, it demonstrates the government is still in control," Peter West of BBV Securities said. "There are reverses, but the process continues forward slowly but surely."

But both the budget and Avanza Brasil will face difficulties in Congress. The allocation for infrastructure funds for the poor Northeast, which is 40% less than for the rich Southeast, "is an injustice that must be corrected," said Deputy Inocencio de Oliveira, leader of the PFL. Critics also maintain that, despite impressive-sounding figures, two-thirds of the funds assigned to the social area are retirement pensions and benefits rather than investment in social programs.

Senate president Antonio Carlos Magalhaes said the proportion assigned to poverty-alleviation programs was insufficient and said he will introduce modifications to the government plan. The opposition, meanwhile, criticized the plan as unrealistic. Deputy Jose Dirceu, PT president, called it a "virtual plan." The business sector also expressed doubts. Without the tax and social security reforms that the government has yet to push through Congress, and without a significant drop in interest rates, the plan's targets will be impossible to meet, said Roberto Faldini, the director of economy of the Federacao das Industrias do Sao Paulo (FIESP).

Cardoso's party sees defections

During the last few weeks, several important members of the Partido da Social Democracia Brasileira (PSDB), which Cardoso helped found ten years ago, have left because of Cardoso's "move to the right." "The PSDB cannot continue moving toward what is called the progressive right, it has to be social democrat," said Sen. Arthur da Tavola, co-founder of the party, as he announced his withdrawal. "It is time to strengthen the center-left and not support the right." Tavola's departure "is an immense loss," said Sao Paulo Gov. Covas, an expected presidential candidate in 2002 and close friend of Cardoso. PSDB leaders complain about the influence on Cardoso by Magalhaes of the PFL. "Since the beginning of his first term, Cardoso has clearly demonstrated his preference for the PFL," said Sen. Alvaro Dias, president of the PSDB. In addition to Tavola, two senators and six deputies have left the party and declared themselves independents. [Sources: CNN, 08/26/99; El Nuevo Herald (Miami), 08/21/99, 08/28/99; Spanish news service EFE, 08/21/99, 08/23/99, 08/26/99, 08/27/99, 08/29/99, 08/30/99; Associated Press, 08/24/99, 08/27/99, 08/31/99; Notimex, 08/25/99, 08/31/99; Xinhua, 08/31/99; Reuters, 08/19/99, 08/27/99, 09/01/99; Inter Press Service, 08/22/99, 08/23/99, 09/01/99; Financial Times (London), 08/24/99, 08/26/99, 08/27/99, 09/01/99; Clarin (Argentina), 08/27/99, 09/01/99]

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