

11-5-1999

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LADB Staff

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Recommended Citation

LADB Staff. "Brazilian President Cardoso Unable to Push Through Reforms to Social Security." (1999).
<https://digitalrepository.unm.edu/notisur/12707>

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Brazilian President Cardoso Unable to Push Through Reforms to Social Security

by LADB Staff

Category/Department: Brazil

Published: 1999-11-05

Brazilian President Fernando Henrique Cardoso has been unable to secure passage of Social Security reforms needed to cut the system's huge deficit. And the administration continues to grapple with a growing organized-crime scandal that reinforces the public's image of official impunity.

Cardoso met Oct. 16 with 15 of Brazil's 27 state governors to discuss reforms sent to Congress that will affect their states. The measures are a response to a Supremo Tribunal Federal (STF) decision overturning earlier measures dealing with the US\$17 billion Social Security deficit (see NotiSur, 1999-10-08).

After the meeting, Cardoso said he and the governors had reached a consensus regarding two amendments to allow contributions to the Social Security system from retired and public employees, the measures thrown out by the STF.

Social Welfare Minister Waldeck Ornellas said the government is also insisting that retired public officials receive the same pension as other public employees. The Finance Ministry calculates the difference between what the government collects from workers' contributions to Social Security and what it pays in pensions and retirement benefits at US\$9.8 billion a year.

One cause of the deficit is that, both in the federal system and in the states, public officials receive much larger benefits than other employees but contribute much less. Monthly benefits of public functionaries often reach US\$15,460, while maximum benefits for workers are US\$650 a month. "The monthly contribution of public functionaries to Social Security is US\$1.03 million but their benefits are US\$10.3 million," said Cardoso, "and the private-sector workers end up paying the difference."

Eliminating the privileges of public officials requires the passage of a constitutional amendment by Congress, and Cardoso hopes the governors will urge their legislators to back the measure.

Opposition leader Luiz Inacio Lula da Silva of the Partido dos Trabalhadores (PT) says that Cardoso "is not in the least interested" in the social security of Brazilians and is taking the first step toward privatizing the retirement system. Lula says the cause of the system's deficit is that "30% of those who should be contributing have stopping meeting their obligations." He added that historically the funds "have been used for other things." "The [Social Security] resources were used to build the Trans-Amazon Highway and the Rio de Janeiro bridge to Niteroi, and were never put back," said Lula.

The pension system is but one component of the administration's budget problems. The fiscal deficit this year is expected to be more than 9% of GDP, which keeps interest rates high and hobbles the private sector. Approval of the Social Security amendments could diminish the skepticism about the government's ability to enact other long-term fiscal reforms.

Widespread organized crime is under attack

The administration has also been hurt by evidence of organized crime's penetration into the police, political, and judicial systems of several Brazilian states, raising fears that the country is "becoming another Colombia." The extent of criminal influence is coming to light through investigations by a congressional commission (Comissao Parlamentar de Inquerito, CPI) into corruption and drug trafficking. The CPI was originally scheduled to conclude its activities this November, but recently extended the period of its inquiry until March.

The CPI investigation has opened a Pandora's box, exposing judges, federal and state legislators, mayors, military, police, and business owners with ties to organized crime. The investigations have led to the arrests of more than 60 people, many in Acre state where the major criminal network was led by former deputy and former police chief Hildebrando Pascoal. Following his arrest, Pascoal was expelled from Congress and from his political party (see NotiSur, 1999-10-08).

Pascoal's successor in Congress, Jose Aleksandro, sworn in on Sept. 25, now faces removal because of evidence linking him to several crimes. The CPI has promised more arrests as its investigation continues. Much of the criminal activity takes place in the Amazon or sparsely populated frontier states under the protection and influence of local bosses. The CPI is now investigating claims that in Maranhao state, in Brazil's northeast, local organized crime is headed by another legislator, Jose Gerardo de Abreu.

Crime bosses in Maranhao are connected with those in Acre and other states, said truck driver Jorge Meres de Almeida, who testified to the CPI that he had worked for the group. Meres also implicated legislator Augusto Farias, accused of ordering the assassination of his brother, Paulo Cesar (P.C.) Farias, who was treasury minister and ran a corruption scheme during the administration of former president Fernando Collor de Mello (1990-1992).

In Piaui, another northeastern state, the CPI uncovered a crime organization suspected in the assassinations of eight mayors in the last 10 years and death threats against at least 15 more. Nelson Nery, president of the regional Bar Association, said he had received death threats and called on federal authorities to assume control of public security.

"Only a federal intervention will guarantee getting rid of the cancer of organized crime in Piaui," said Nery. Brazil's attorney general, Geraldo Brindeiro, has taken charge of the investigation in Teresina, capital of Piaui, where the alleged activities involve high-ranking officials, including police commanders and 80 mayors and judges.

A new report published Oct. 31 by the newspaper O Globo says that the CPI investigation now includes Acre, Maranhao, Mato Grosso, Mato Grosso do Sul, Para, Piaui, Alagoas, Ceara, Espiritu Santo, Sao Paulo, Rio de Janeiro, and the federal district of Brasilia. The ongoing investigations

have splattered the Cardoso administration with allegations against Defense Minister Elcio Alvares and Minister of Sports and Tourism Rafael Greca. Their alleged implication in criminal activities comes amid a growing public perception that impunity is on the rise. Both ministers deny the charges and have proclaimed their innocence to Cardoso. The president has said he is satisfied with their explanations, but they must also present their case to Congress. [Sources: Notimex, 10/13/99, 10/20/99; Inter Press Service, 10/22/99; Clarin (Argentina), 10/31/99; Spanish news service EFE, 10/12/99, 10/15/99, 10/16/99, 10/21/99, 10/31/99, 11/03/99]

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