

Why London Should Be Worried About Lula's Re-election

by Gretchen Small

London financiers are already nervous over what direction Brazilian President Lula da Silva's second term might take, after he was re-elected with a record 58 million votes (60%) in the Oct. 29 run-off vote against the bankers' favorite, the right-wing proponent of free trade/neo-liberalism, Geraldo Alckmin. Their fears are warranted, but not particularly because of anything Lula or some of his top advisors have said, nor even what they are thinking at the moment. The two reasons they have cause to worry about what Brazil might do in the months ahead, lie outside Brazil: the President of Argentina, Néstor Kirchner, and global economic disintegration.

Those two factors are combined with Lula da Silva's continuing hope of going down in history as a President who strengthened his nation by turning back the poverty into which he himself was born. Therefore, Brazil's continued acceptance of globalization and the existing international financial system will be on the agenda in Lula's second term. And thus, Lula's re-election provides a useful lesson as to the real dynamic of world developments today, as U.S. statesman Lyndon LaRouche has insisted.

LaRouche noted in his Oct. 31 webcast, that President Lula's re-election "is significant in the sense that it creates a solidification of a process of adjustment—I wouldn't say just cooperation, but adjustment—among the nations of South America, which will have some impact moving north. They do want to develop. They do have practical ideas. The role of the current President of Argentina is extremely useful in this respect. He's taken initiatives—in cooperation with other nations of South America, not just as Argentina alone—but in cooperation, which are really quite beneficial and very promising for the future."

Former trade union leader Lula was first elected as Presi-

dent on the first round in 2002, with a stunning mandate to break with the International Monetary Fund austerity policy so dutifully imposed by his predecessor, Fernando Henrique Cardoso. International financiers promptly ran a brutal speculative attack on Brazil's financial system, and Lula turned around and wasted the political capital he had gained in the election, to impose for four more years the very deindustrializing fiscal austerity program for which voters had thrown Cardoso's Brazilian Social Democracy Party (PSDB) out on its ear (although Lula's program was buffered by a welfare program to feed the millions of poor created by those policies).

Lula didn't abandon his hopes of raising up Brazil's poor, but pragmatist that he has been, unlike Argentina's Kirchner, he argued that Brazil had no choice but to negotiate deals within the existing global system. Now that global system is self-destructing, and Brazil faces a crisis greater than any of its leaders have imagined. With a President Lula who no longer has to worry about ensuring himself another term, and who has formed a "strategic alliance" and personal friendship with Kirchner, what Brazil will do as the global system implodes, becomes a much more interesting proposition.

A Vote Against Globalization

The financier interests knew there was only a slim chance of their candidate, Alckmin, beating Lula, despite their corruption hobbyhorse, but they did have hopes of ensuring that Lula remains in their harness in his second term, by knocking his vote down to such a slim margin that he would have no political mandate. By Oct. 23, London's *Financial Times* recognized that Lula was heading toward a win by a margin as



Ricardo Stuckert/PR

Brazilian President Luiz Inácio Lula da Silva being congratulated by supporters after his re-election on Oct. 29. Brazil's continued acceptance of globalization will be on the agenda in Lula's second term, which has London financiers very worried.

wide as 20%—as he did—by turning the run-off into a virtual referendum on globalization. The biggest issue was whether the remaining state companies, Banco do Brasil and Petrobras among them, should be privatized. The London paper just couldn't understand why Brazil's middle class—their hope for electing Alckmin—was reacting in horror at the idea that Alckmin, from Cardoso's PSDB party, would *deepen* the globalization policies which Cardoso championed.

University professors and intellectuals mobilized for Lula's re-election, despite their anger at his failure to change Brazil's economic policies as he had promised, because they recognized that Brazil could not afford to put someone into power who was so deeply committed to neo-liberal market economics. Better a reluctant pragmatist, with a possibility that he might change, than a hard-core globalist. At least four manifestos signed by prominent figures were circulated, bringing together people from diverse political projects. One, signed by former National Development Bank head Carlos Lessa, summed up the case:

"Brazil runs the serious risk of an enormous historic reversal. Those who privatized important resources of the public patrimony, who extended private sector education like never before, who turned our country into a docile and subordinate ally of the U.S., who criminalized and repressed the social movements, who accentuated inequality, injustice, and social exclusion even more—seek to return to power. In the face of this threat, Brazilians have to put aside their differences, and join up, to keep those dark times for our country from returning. . . ."

Brazilians, once again, gave Lula a mandate to change policy.

Mercosur's Victory

Not coincidentally, the same day that it panicked over Lula's coming victory, the *Financial Times* ran a lead editorial attacking Kirchner for refusing to accept that the days of a strong state role in the economy are over.

That is precisely one of the points in which Lula agrees with Kirchner. "South America is witnessing the end of the neo-liberal model, based on the downsizing of the state role," Lula told the Italian-based, international magazine *Trenta Giorni (Thirty Days)*, edited by former Italian Prime Minister Giulio Andreotti, in an interview published in its September issue. "Recently elected governments in the region reflect the acknowledgement that we need to assign a strategic role to the state in defining public policies."

The *regional* rebellion against globalization is what is dangerous. The man who directed Lula's successful second-round election campaign, foreign policy advisor Marco

Aurelio Garcia, emphasized to Argentina's *Pagina 12* (Nov. 1) that the election was precisely "a victory for the Mercosur [Common Market of the South] perspective, for building the South American Community of Nations," and a defeat for those proposing that Brazil dump Lula's South American strategy, and turn back to the now dead-in-the-water Free Trade Accord of the Americas.

The Argentine government agrees with Garcia's assessment. Eduardo Sigal, Under Secretary for Economic Integration at the Argentine Foreign Ministry, published an opinion column in the same issue of *Pagina 12*, declaring that it is no interference in Brazil's internal affairs, to say that "we feel a great joy at Lula's victory." Lula gave a "magnificent intervention on Brazil's responsibility towards its regional partners," at the last Mercosur summit, he wrote, and he promotes the Brazilian-Argentine strategic alliance.

Asked by Argentina's *Clarín* daily, in an Oct. 31 interview, how Argentine-Brazilian relations could be improved, Brazilian Foreign Minister Celso Amorim answered that "everything is fine," underscoring the personal relations between Lula and Kirchner. "Relations are most excellent between the Presidents. There are no envies; there are no disputes. There is a lot of coordination on all matters," he said.

Nor is our relationship purely bilateral, Amorim noted. It is a shared, generous leadership. For example, we're going to hold an African-South American summit. Some Africans proposed a Brazil-Africa agreement, but we thought it more interesting to share this with South America. Not because we're so good, but because "alone, we are not going to have the same force in the world. Brazil and Argentina have a very clear vision on this."