"Voters cast their ballots thinking about the future, not the past"



Fernando Henrique Cardoso

President of the Republic (1995-2002)

Liliana Lavoratti, from São Paulo

With the 2010 presidential elections a year away, former President Fernando Henrique Cardoso, 78, gives the first indications of how the Brazilian Social Democratic Party (PSDB) will challenge the Workers' Party (PT) President Luiz Inácio Lula da Silva's candidate in the race to occupy the Presidential Palace of Planalto. "No use for President Lula to say that the social programs, the pre-salt oil fields, and stability were born in his administration. The elections will be won by who inspires confidence and gets the voter to say 'this person will get us ahead.' Voters cast their ballots thinking about the future, not the past," says the honorary chairman of the PSDB. The presidential campaign, expected to be polarized between the PSDB tucano candidate (the party mascot is the blue and green bird) and the PT candidate, will bring forward subtle yet relevant differences between the two programs, Cardoso stresses. "Against controlled capitalism, dirigisme, a swelling administration, and the weakening of the state as we see it today, we are going to stand up for an open and competitive society," he says. He also says that the PAC — the Growth Acceleration Program — and the pre-salt oil fields are being used by the administration as electoral campaign instruments.

***The Brazilian Economy* — What is your assessment of the Brazilian economy in the aftermath of the global crisis?**

Fernando Henrique Cardoso — In the United States, Spain, and England the bleeding has been contained, but questions persist. In the United States, consumption has not risen and the situation is not settled. China has increased credit to stimulate its domestic market, but the consequences of that move are still unknown. In Brazil, the scenario is less distressing except for the lower investment rate and increased public current expenditure. The economy has started to react, but through consumption. Although inflation has risen slightly, it still is not enough to cause concern. If the favorable winds continue to blow our way, we'll be all right. Otherwise, the market will contract, affecting industrial production and exports. I do not see a more worrying situation; but the next administration will have some thorny issues.

Such as?

The increase in federal public expenditure, with a ripple effect on state and local administrations, cannot be turned around. All will depend, however, on our ability to secure a more reasonable investment rate. Everyone

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seems to be satisfied with zero growth this year. In comparison with some other countries, that is good news; the reality, however, is that we will be 5 percentage points below 2008.

Do you share the view that Brazil is coming out of this crisis in better shape than other countries?

In relative terms, that is possible. But with a caveat: from the 1980s up to the stabilization in 1994, growth was out of step. The world economy went one way, our economy went the other. After the stabilization our economy adjusted to the world economy, and its growth has been slightly below world growth. That continues today. The reason for that is the investment rate. We do not have a savings ratio that can be transformed into investment to sustain more vigorous performance. The economy had improved globally — we rode that wave — but there has not been a change in the growth level.

Will the issue of tax reform also be put off to the next administration's agenda?

The rationale behind the Lula administration is circumstantial rather than structural. He has enjoyed a tide of favorable circumstances and has not been concerned with structural reforms. It is not possible to carry out reforms without antagonizing certain sectors. And now, with elections on the horizon, the administration will not change anything.

Your administration had to face resistance as well.

Yes, but I confronted it. That is not the case today. Even confronted, the changes are marginal. Creating a value-added tax in Brazil, incorporating federal, state, and local taxes, is very difficult. We have bureaucracies that oppose it. It is a political rather than a technical issue. I think we have to carry it out gradually. When we aimed at 100%, we achieved 15% at most. We did away with superimposition of certain social contributions, we went on improving.

The crisis has rekindled the debate about a more active role of the state in the economy. What is your opinion?

The question of a minimalist versus a maximalist state is an ideological debate. The state must have the right size. Operational capacity is essential; we need more quality and less quantity. It's bad when the state swells without quality. We have to be vigilant, because it seems we are heading that way.

Are you suggesting that the Lula administration is interventionist?

The Lula administration has undeniably followed the macroeconomic policies introduced in 1999 — a fluctuating exchange rate, fiscal responsibility, inflation targets — and benefited from the solid financial systems that we had built. On the other hand, there have been a few changes. An example is the regulatory system created to strengthen the state. The regulatory agencies used to be accountable to the state, not to the government of the day. Today, however, the power of those agencies has been reduced, to the benefit of governmental discrimination. Hence, it is not the state that comes out strengthened, but rather the government. What is this compat-

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ible with? It could be compatible with groups that the administration wants to favor. In China, the economy is monopolistic in certain sectors, with state interference. In Brazil, nobody is talking about socialism, but instead about the form of capitalism: Is capitalism more open or more managed by the state? In the last few years we have been heading toward a state-managed capitalism.

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Hasn't the more prominent presence of the state in the economy been fundamental to overcome the crisis?

Currently, it may help boost the economy; however, for the future it creates distortions and may lead to a more closed society. In Brazil power groups have been formed that are anchored on the government and on pension funds. In other countries, a pension fund is a financial investment institution, not a management institution. That is not the case here: pension funds take part in management and own corporations. In other countries those funds are not party-affiliated; in Brazil they are. In addition, one single party controls all pension funds. Their management composition is bipartite — one half is government, and the other half is the pension fund — but both sides belong to the same political party. So, part of the economy is strongly linked to a party, and that is worrisome, for the hegemony is not only political, it is total; it is economic as well. This may lead to a high growth rate but it will not generate a competitive society. Brazil is in general a democracy; but in the particular aspect of the partisan relationship with the economy there appears to be a trend toward state intervention.

Are the projects in the Growth Acceleration Program (PAC) focusing on those areas where investment is most needed?

PAC is another name for the budget; it is not a program of priorities. The government keeps saying PAC, PAC, PAC. What works in the PAC are the state-owned companies. How many ports have been built under the current administration? During our term we built Sepetiba, Pecém, and Cabedelho. The Belo Monte power plant remained inactive for a long period of time while government interference was being discussed. In our administration the opposition insisted that we could not grant concessions; we created the PPPs (public-private partnerships), but they also ended up inactive. The truth is that the infrastructure sector in Brazil came to a standstill. PAC has been transformed into many things, including a propaganda tool.

In this context, isn't the pre-salt oil field relevant?

The Tupi field in the bay of Santos was auctioned in 2000, against severe PT opposition. In 2001 we already knew of the pre-salt oil reserves. So that is nothing new, it is something that goes way back. The great leap in oil production happened in the past. And how is pre-salt oil going to be used? I think that the haste is election-linked, as there will be no developments in the next five to six years. It is not a bad idea to discuss it: personally, I still cannot say whether sharing or concession is best. The proposal of the regulators

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foresees the sharing alternative. According to that model, the company exploiting the oil must share the benefits with the public authorities.

Should the debate in Congress have taken longer?

Is concession better than sharing or the other way around? What shape will Petrobras capitalization take in this context? The monopoly belongs to the state, according to 1997 legislation that also includes provisions on increased competition. Petrobras, which was practically a government-run office in the past, has grown enormously and become globalized. Now they want to force Petrobras to take part in all investments. They are lending a new monopolistic character to Petrobras, which in fact is not solely government-owned and to which we owe everything as far as oil is concerned. Is this the best way to strengthen the company? Petrobras has become stronger since 1998, and its value has increased seven-fold. It remains unclear how Petrobras will be able to go into every field and what the risks are for the company. It is not up to me to answer that; I am no expert. The issue deserves broader debate. This urgency is election-fever-related.

How does the PSDB intend to conduct the debate on the economy with a view to the presidential elections?

I do not know if this will be the debate of the people. The people are mostly concerned about salaries, health, education, jobs, transportation. One year from the elections it is difficult to measure people's feelings. I think the voters will take a look at the candidates and wonder: who is the best candidate to follow? Voters cast their ballots thinking about the future, not the past. What is essential is to come up with leadership that inspires confidence and makes the voters say, "This person will get us ahead." The voter will weigh those differences we are discussing: more or less regulation, dirigisme. Definitely, the issue will not be more state or less state. In a country like Brazil, it is inconceivable for the state to do without the BNDES, the Bank of Brazil, and Petrobras.

Is the privatization issue out of the debate this time around?

We never intended to privatize Petrobras. We have strengthened the Bank of Brazil. We are not against state-owned companies. Some sectors such as steel production must be privatized. What is important for the debate is not the private or public nature of a company, but rather its orientation: is it business-like or political, with appointed friends and allies? The 2010 debate will be different: increased state discretionary power or the participation of society in regulation? Granted, this is not an election platform debate, but it will permeate the decisions.

After two successive administrations adopting similar macroeconomic policies, what will people weigh when the time comes to cast their vote?

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One has to be more determined: Do I trust or don't I? Will this candidate help me get ahead? This is how Barack Obama arrived in the White House; this is also how Lula and I won the elections. Our parties didn't. Of course, you cannot win

elections by yourself, but you need to use a language that makes the voters feel that you have the capacity to lead them ahead. The dilemma of the population is: Whom can I trust? Whose turn is it? In 1994, it was my turn; in 2002, it was Lula's; and in 2010, I have no idea whose turn it is. The elections will be won by the candidate who manages to awake a feeling in the population that this is the one I am going to follow.

But won't the PSDB propose changes with regard to the PT administration?
What we are going to change, and this is important: less partisan dirigisme. Those subtle differences will come out. As to the general lines, our economy is integrated and growing with room to grow more; all countries have been adopting the same social policies: Chile, Mexico, Brazil — all of them granting health and education benefits. Will all these then be better or worse managed? Will the demand be met, or will it all remain a promise? This is what the voter will ponder.

Do the current possible presidential candidates offer the voter good alternatives?
I think so. Who would have expected Marina Silva in the race? And Ciro Gomes, who initially wanted the São Paulo governorship, now promises to enter the race for the presidency. It is difficult to make predictions because the scenario is still changing. Sometimes one has the impression that this will be a plebiscite-type election, heads or tails. However, it will not be plebiscite-like, as there are many dimensions to this game. A few months ago, the big news was a woman in the race; now there are two, perhaps even three, women running. Marina's candidacy brings to the center of the debate an issue that the other candidates would only have touched on lightly. Now all candidates will be forced to improve their environmental proposals.

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What about Dilma Rousseff, what are her qualities?
Qualities, she has, but I hardly know her. She has administrative and managerial abilities. It remains to be seen whether she has leadership. I am not sure Lula has managerial abilities, but he is a leader. The President of the Republic must have both.

In your party, who has those abilities? José Serra or Aécio Neves?
[Laughter] As both belong to my party, I'd rather remain silent. The most important decision has already been taken: It has been both publicly and privately established that the PDSB will converge around a single candidate. One candidate will support the other; any other attitude would be suicidal. We still cannot predict which of the two will be the candidate. Who could have expected Marina to run? There is plenty of time and we may still have other surprises. The ballot box is still green.

If there is no convergence, what criteria will be adopted if there are primaries?
The primaries have not been ruled out; what has been said is that perhaps they will not be held. The criterion has to be always political convergence, to see whether one candidate gives up to support the other. Otherwise, there must be a selection criterion, either a convention or a primary.

You argue that the ballot may not be "pure-bred." Is there any hope that the PMDB will form an alliance with the PSDB?

It would be a good thing to have one more party in our ballot but, having said that, I am not against "pure-breed." It would depend on the circumstances; it is still too early to know what the best will be. In principle it is the alliance. If our allies think that the best alternative is to have their vice-presidential candidate on the PSDB ballot, we'll go for it. It is unlikely that the PMDB will form an alliance with us. The government's instruments to seduce them are more powerful, although some PMDB members are sensitive to our candidacy.

To make way for his successor, Lula will stress growth with controlled inflation and the entry of 25 million more Brazilians into the middle class. What does the tucano candidate have to show?

Lula may have done a lot, but the population does not vote on what has been done. It is useless to say that the social programs, the pre-salt oil finds, and stability were generated under my administration. When he comes to the end of his administration, Lula will be able to say with all propriety: never before have so many Brazilians lived in a country such as the one we have today. That is obvious, because the population has grown. The latest administration has done more than the previous one because there is a cumulative effect. Nonetheless, the cuts that changed the structure were carried out under my administration; the same is true for stability and changes to social policies, as well as the passage from one social class to another. The poverty line dropped way back and has continued to fall. The drop may have increased in speed at certain points.

Brazil set the course during Itamar Franco's administration, not mine. In my administration there was an impulse; with Lula, there was another impulse. I am hopeful that, whoever is elected, the next administration will do even more.

Why do you support the decriminalization of marijuana?

Last March in Vienna I attended a meeting of the Latin American Commission on Drugs and Democracy, which is within the scope of the United Nations, where former presidents met to reassess the international policy against drugs adopted in the last decade. It was an opportunity to reinforce the Latin-American perspective in comparison with the US perspective of "arrest and kill and you will have solved the problem." That policy has not succeeded, and the idea that legalization is the lesser of two evils is gaining force. In Europe, instead of repression the emphasis is on prevention of consumption and a public health apparatus that supports and reduces the number of drug addicts. We have already registered significant progress; the stance of the current administration, by the way, is similar to mine. A PT legislator from São Paulo is the author of a proposal that seeks to establish that the marijuana user shall not be subject to repression.

Couldn't the liberalization of marijuana serve as an incentive for young people to try this and other drugs?

If that were true, the ban would have limited consumption; however, consumption is increasing. Nonsmoking legislation and the condom campaigns work. There is nothing similar for drugs. Why insist on repression alone? Consumption is increasing at an alarming rate and consumers are not being offered treatment. Marijuana is being decriminalized in Argentina, Colombia, and México. Portugal has decriminalized it. Every consumer of drugs should be treated as a medical case.