

CAN THE NEW LEADERS LEAVE NEOLIBERALISM BEHIND?

Latin America: critical year for the left

The victories of Lula da Silva in Brazil and Lucio Gutiérrez in Ecuador, and Hugo Chávez's resistance to destabilisation in Venezuela, have changed the possible future of the left throughout Latin America.

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PRESIDENT George Bush senior told the conference of the Council of the Americas in 1989 that commitment to democracy was only one element in the form of association he envisaged for the nations of the Americas: what had to be guaranteed first was that the market economy survived, prospered and prevailed. But Latin America is paying a high price for being the favoured test zone for neoliberal experiments: the financial blowout they caused has left this region economically, politically and socially unstable. The number of people living below the poverty threshold increased from 120 million in 1980 to 214 million in 2001 (43% of the population), and 92.8 million are destitute (18.6%) (1).

During his first term in office, President Clinton did not even cross the Rio Grande, the frontier river with Mexico, or visit a single Latin American country. The consensus in Washington then was that Latin America was behaving very well (2). The dominant idea was that there was no policy substitute for the tough fiscal adjustments advocated by the International Monetary Fund and the World Bank, plus the free trade policies of the World Trade Organisation. In South America the end of the dictators coincided with a blossoming of democratic, liberal regimes, except in Cuba, the Caribbean island, seen as the archetype and relic of non-democratic regimes.

Jorge Castaneda, later to become an architect of the Latin American third way, on the basis of a document known as the Buenos Aires Consensus (3), described in his book, *Utopia desarmada* (Utopia disarmed), the moment when the left collapsed. The international balance shifted radically to the right. In Latin America the collapse of the Soviet Union and victory of the United States in the cold war coincided with the defeat of the Sandinistas (1990) and the end of rebellions in El Salvador (1992) and Guatemala (1996).

As in François Mitterrand's France and Felipe González's Spain, social democracy aligned itself with neoliberal policies; the Italian communist party, the most powerful in western Europe, decreed its own end. Neoliberalism was boosted by the third way of Tony Blair and Bill Clinton.

The 1994 Mexican crisis did halt the success of neoliberalism, but rapid intervention by

the Clinton administration gave the impression that this might be just a temporary setback in adjusting to a new model of hegemony. Brazil joined the Latin American consensus when Fernando Enrique Cardoso took power in 1994. The left seemed defeated, whether because of conversion to the new model or because it was powerless. The Party of the Democratic Revolution (PRD) in Mexico, the Enlarged Front in Uruguay, the Workers party (PT) in Brazil and the Farabundo Marti National Liberation Front (FMLN, the former armed opposition that had become a political party) in El Salvador, seemed to be relics incapable of resisting the successful offensive. The trade unions were on the defensive against rising unemployment, labour flexibility and precarious employment relations. The "new social movements" had revealed their limitations in their proposals for the new focus of the struggle.

But the victory of neoliberalism is tied to the dismantling of the left by the dictatorships. Chile, with its long tradition of struggle for economic and social rights and its history of democracy, only spearheaded the project because of General Pinochet's repression, which destroyed the structure that had made Chile a point of reference for Latin America and the world. Carlos Menem would never have had a government in Argentina without the dismantling of the left, and there would have been no policy of parity between the dollar and the peso, which has led to ruin.

During the years when the last efforts of the left to end social inequalities foundered, the militarisation of Uruguay and the coup in Chile consolidated the triumph of the Brazilian idea of military dictatorships in line with the US doctrine of national security. But another shift significantly influenced the continent after that: the most sustained expansion of international capitalism was followed by a sustained recession.

Clinton left his successor with a situation very different from the one he had inherited. George Bush faces a Latin America in its worst crisis since the 1930s. Its international economic and political clout has significantly declined. In states with fragile economies, social structures are fragmented, with many people deprived of basic rights. In Argentina, Haiti, Uruguay, Nicaragua, Peru, Paraguay, Venezuela, Bolivia, Colombia, Ecuador: actual or potential crises are increasing.

The 1994 Mexican crisis coincided with the first major international protest against liberalism, by the Zapatistas in the Chiapas highlands. Since then there has been more resistance, with the mobilisation of the landless in Brazil, the indigenous movements of peasants in Ecuador and Bolivia, and anti-privatisation protests in many countries. The Porto Alegre social forums have provided the most important meeting-point and focus for cooperation.

2003 promises to be the most important year for Latin America since 1973:

In Brazil the policy of Lula da Silva, who wants to oust neoliberalism, will be implemented;

In Ecuador the margin for manoeuvre available to Lucio Gutiérrez - whose

government is opposed to neoliberalism but subject to the difficult constraints of dollarisation - will be evident;

In Argentina there will be a presidential election that will determine whether Brazil gets backing for rebuilding the southern common market (Mercosur) and creating a single currency for the region, or whether dollarisation will triumph, promoting the Free Trade Area of the Americas (FTAA), US hegemony, and curtailing the Brazilian government's scope for action;

In Venezuela there should be some resolution to the crisis.

By the end of the year the continent will look very different. The possibilities for a successful move to post-neoliberalism by the Brazilian, Ecuadorian and Argentinean governments will be clear, or those governments will have failed because of speculators and dollarisation.

This period differs from the one before because of the weakening of neoliberal hegemony (even allowing for traps awaiting governments breaking with neoliberalism). Latin America's development has seemed straitjacketed economically in the past decade; yet at the same time, another era has begun in which popular movements have unprecedented opportunities.

The opposition is no longer confined to the social sphere but has a political voice at national level. The governments created by social forces in this new era may become partners in the negotiation of their demands. When Evo Morales, backed by peasant movements and other popular forces, reached the second round of the Bolivian presidential elections, the voice of those movements found an institutional outlet. Gutiérrez's victory in Ecuador is the political achievement of a bloc of social forces opposing neoliberal governments. Although Cuba has adjusted its economic policy, it is still outside the Washington Consensus.

Venezuela was unable to complete the introduction of neoliberal policies. After the collapse of the governments of Carlos Andrés Pérez and Rafael Caldera, it finally elected the first Latin American president opposed to neoliberalism, Hugo Chávez. A mass movement swept him to power despite his limited experience of politics. The Venezuelan crisis shows the disparity between the slow failure of neoliberal projects and the fast introduction of alternatives. Chávez's victory, and his government's Bonapartist style, is bridging that gap; a popular movement is emerging, backed by the government's social policy. There is a race between the proposals of the popular movement working with the government, and the opposition's attempts to formulate proposals (previously, it had none). What direction Venezuela takes depends on who wins and whether attempts at destabilisation - beginning with the April 2002 coup - are successful. In Argentina there seems to be a still wider gap between the end of the hegemonic model that prevailed for 20 years (the third way introduced by Fernando de la Rúa) and the introduction of alternatives now needed because of crises in society and in the traditional elite. Their circumstances are different, but Venezuela and Argentina

epitomise the suffering involved in the creation of a new left: its features are incomplete in Venezuela and formless in Argentina.

Brazil and Ecuador have so far combined objective and subjective elements of the crisis. By rebuilding its social and political left while the neoliberal model was developing, Brazil became the weakest link in the domination of Latin America. The Brazilian left resisted and, despite tensions and risks, is taking political power with a manifesto for a gradual transition to post-neoliberalism. Only when the Brazilian left actually works will its profile become clear. "The market must understand that Brazilians need to eat three times a day and that many people go hungry", said Lula immediately after his election. His programme relies on alliances with business (including big business) against speculators, and on cutting interest rates to revive the economy. Priority is being given to social policies, with a better distribution of national income, development of the internal market and agricultural reform. The focus is also on restructuring, enlarging and developing Mercosur.

How can the traps of neoliberalism be avoided? Cardoso's Brazil had a secret method: the highest interest rates in the world. They attracted financial capital and restored monetary stability, but created dependency on this tool of speculation. It brought Brazil to bankruptcy in 1999 and 2002. New IMF measures were needed to get through those difficult periods.

The public saw monetary stability as a victory, and Lula endorsed it when campaigning. But if that stability is to be maintained, capital must be harnessed, using high interest rates to meet the balance of payments deficits (4). Economic recovery, the key to Lula's plans and his alliance with business, means resolving the economic impasse in unfavourable circumstances. The devaluation of the currency by nearly a quarter in 2002 has triggered inflation - 25% in a year - with all that implies for wage demands and the need to reign in public spending.

The Brazilian government has to deal with marked tensions between sectors that favour the financial market and its monetary stability requirements (including high interest rates), and social priorities, restarting economic development and redistributing national income - both of which need a significant cut in interest rates.

By forming a first "plural" coalition government, Lula wants to retain the confidence of the financial markets. He is encouraging the belief that a transitional strategy will be needed to leave the current model, but that this is compatible with directing resources to social priorities. That suggests a difficult first year, because the government has the tightest budget of the past 10 years, the legacy of Cardoso. Lula can count on an electoral mandate that will allow him to govern without tension for some time. It remains to be seen whether it will be long enough for him to untangle the financial chaos and establish the recovery promised in his manifesto by a transition to a post-neoliberal model.

The boldest aspect of Lula's government will be his foreign policy, which will have

repercussions throughout Latin America. It will have to withstand the demands of the US, particularly noticeable in Latin America, and all they imply (5). The clash over the FTAA and the proposal to restructure Mercosur will be the first test for the Brazilian government. If it can postpone the timetable for establishing market domination, and also take account of US interests, Lula's government might be able to develop the Brazilian strategy for South America. But the US has already warned, through its trade representative Robert Zoellick, that if Brazil does not join the future free trade zone, it can choose "another direction - Antarctica".

In Ecuador, Lucio Gutiérrez's victory was even more surprising than Lula's, because of the unusual nature of his candidacy and the social and ethnic groups supporting him. He has a large majority, but his government has a big problem: it does not have the resources to quit dollarisation alone. During the campaign, dollarisation was identified as the cause of Ecuador's problems. In a fragile economy it will be impossible to reintroduce the sucre (formerly the national currency) or create a new currency. His fate is linked to that of the region, in particular the clash between Mercosur and the FTAA.

His government is heterogeneous, to win the confidence of the traditional elites and satisfy those who brought him to power. He faces greater difficulties than Lula because his unprecedented victory has left him unable to build an adequate parliamentary base. He will face a hostile congress that has elected opponents of his government to senior posts. There is likely to be direct conflict soon between the social movements and the blocking tactics that parliament will use against the government's proposals.

His first measures illustrate the problems he faces. Finding the economic situation worse than the previous government had revealed, and having entered into a letter of intent with the IMF, he promised a war economy. He announced an increase in fuel prices (35%), a freeze on public spending and a cut in public sector salaries (20%) for anyone earning more than \$108 a month; but he urged security forces not to take action against demonstrators protesting against those measures.

THE key to the immediate future of South America lies in the presidential elections in Argentina in April and May. That could lead to a partner for Lula in restructuring and enlarging Mercosur, including a supranational parliament and creation of a single currency. Other countries would then have more favourable conditions in which to tackle their crises, starting with Ecuador, which could abandon dollarisation for a regional currency. In Uruguay, where general elections will take place in 2004, the Enlarged Front is the favourite: a president might be elected who backs a boosted regional identity.

In Argentina the centre-left candidate, Elisa Carrió, keenest backer of the Brazilian proposal, represents the left. The other person doing well in the polls, Luis Zamora, refuses to stand because he believes there should be a general and not just a presidential election. This could favour the election of Menem, architect of the collapse, or polarise opinion against him. Another Peronist-style candidate could ally himself with Lula or advocate intermediate access to dollarisation. "Away with them all!" is the cry in a

country in chaos, rejecting its political class.

Abstentions, spoiled votes and protests that reduce votes cast for candidates on the left (who are the opponents of neoliberalism), could deprive the region of the chance to take control of its own destiny through democratising international relations and strengthening Mercosur.

(1) "Panorama social de América Latina 2001-2002", Economic Commission for Latin America, Santiago, Chile, 2002.

(2) The Washington Consensus advocates fiscal discipline, "competitive" exchange rates, the liberalisation of trade, inward investment, privatisation and deregulation.

(3) The Buenos Aires Consensus was signed by Ricardo Lagos (future president of Chile); Cuauhtemoc Cardenas (Mexican Party of the Democratic Revolution); Vicente Fox (future president of Mexico); Sergio Ramirez (former Sandinista vice-president of Nicaragua); Fernando de la Rúa (future president of Argentina); Itamar Franco (former Brazilian president) and Lula da Silva (current president) who later distanced himself from it.

(4) The public deficit increased tenfold in the course of Cardoso's monetary stability plan.

(5) That policy includes what is now direct military intervention in Colombia and the attempt to involve nations of the region in an extension of Plan Colombia.

Translated by Julie Stoker