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# Lula faces challenge

*President Luiz Inácio 'Lula' da Silva, Brazil's first elected leftist leader could face a challenge for re-election in the 2006 elections from former members of his Workers' Party (PT). While these former PT members have formed a far left party, the Socialism and Liberty Party (PSOL), members of Brazil's largest trade union federation cautiously endorsed Lula.*

**Robin Alexander** reports on deliberations at CUT's national congress held recently.



**L**ast year's election of Luiz Inacio 'Lula' da Silva as president of Brazil gave special significance to the national congress of CUT, the country's principal union federation. The Unitary Labor Confederation (CUT is its Portuguese initials), the fifth largest union federation in the world, brought together more than 2 500 delegates and a large international delegation from 26 countries to celebrate the federation's 20th anniversary. The congress also confronted a new and unique challenge: the relationship between the labour federation and the new government. The country's economic difficulties guarantee that relationship will be neither simple nor easy.

#### **Economic crisis**

Lula inherited an economy in shambles. Working people suffered as the former government carried out neoliberal policies, including privatisation and cutbacks in social programmes. Two

million people are unemployed in Sao Paulo alone, the most industrialised region in Brazil, with 1.5 million young people entering the labour force each year.

Lula's government decided to continue neoliberal monetary policies to reassure business and encourage investment. The results have helped regain economic stability: the value of bonds has increased from 38% to 90% of their face value, meaning that far less is spent on public debt. Banks lowered Brazil's risk assessment. Credit lines are back and new lines of credit are open.

But these results reflect decisions by the government to maintain high interest rates and prioritise growth over income distribution – at least in the short run. At the time of the CUT congress, the new government's most controversial proposal was aimed at cutting retirement payments to higher-paid public employees, averting bankruptcy of the system and moving

towards an equalisation of public and private benefits. This is essentially a proposal from the old government.

#### **CUT debate**

Debate at the CUT congress was fierce. Speaker after speaker delivered fiery speeches, resulting in catcalls, cheers and often loud chants from the other delegates. It was a vibrant exercise of democracy, where physical violence was prohibited, but controversy was intense. Often the disputes were hot, occasionally forcing the moderators to insist that speakers be permitted to be heard and that opposing views would also be given time.

PSOL is made up primarily of former Workers' Party members who were either expelled or left the party soon after Lula took office in January 2003. The PT dissidents said Lula has departed from leftist orthodoxy. They are especially critical of the government's economic policies, based

on high interest rates, tight budget austerity and an emphasis on free enterprise solutions in areas such as public utilities and foreign trade.

Delegates representing the far-left argued forcefully that CUT should take a position against the Lula government – that it had betrayed workers by proposing cuts to social security, by maintaining interest rates at levels higher than even the IMF required, by participating in negotiations on the FTAA, among other issues. One impassioned speaker pointed out that the reform proposal was making workers fight against each other, another called it ‘a reform by the bankers at the demand of the IMF,’ and many argued that equalisation of benefits should be accomplished by increasing levels, not through cutbacks.

The stronger position, eventually backed by a large margin, insisted that CUT should support the government it had worked so hard to elect, but that it must maintain its autonomy. That posture raises a whole range of challenging questions about what autonomy means when the government takes a stand that CUT opposes. At least the response to the attack on social security benefits is clear: although CUT supports the Lula government, it does not agree with the reform proposal. CUT will propose a series of amendments, and will organise major mobilisations in opposition.

Many speakers at the congress spoke of the need to provide leadership in a changing situation and in response to Lula’s election, but also to the damage caused by neoliberalism both in Brazil and throughout the world.

### **Complexity of governing**

The discussion reflected a sophisticated analysis of the situation in Brazil and the meaning of Lula’s overwhelming

victory. One speaker referred to Lula’s election as ‘the most beautiful moment that gave us the possibility of governing.’ However, the complexity of governing became increasingly clear, as we came to realise that winning the presidency does not necessarily bring the power to fully implement a progressive programme. That will take the additional strength that must be built over time.

CUT approved a broad plan which includes the defence of rights, a wage campaign calling for reduced hours without reduction in pay, reform of the labour laws to prevent government intervention in unions, the right of workers to join the union of their choice, and a massive movement in the streets to guarantee rights, and to oppose the evils of neoliberalism – outsourcing and downsizing. Delegates condemned the Free Trade Area of the Americas (FTAA) and called for a binding referendum.

### **Lula meets delegates**

Lula met with the international delegates over lunch on the opening day of the congress, and outlined how he sees the challenges ahead. Lula took office without majority support in Congress, with only three states governed by the PT. A priority for his government is to strengthened PT and alliances which permit the passage of PT-promoted legislation. Lula explained that one way in which he is seeking to create consensus over difficult questions is through open discussions in councils which have been convened on various subjects.

‘Many ministers come from labour and the social movements, and our idea is to build a space in which discussion can occur... and through discussion we can find a middle ground. The labour movement has experience that not everything will be done in one day.’ He

spoke of the reforms which were needed, in the areas of ‘social security, taxation, labour, political and land reform... as many as necessary to modernise our country – labour law is a long-term demand. The current structure is not good for our country.’

Lula explained that Brazil is actively strengthening relationships with countries in the southern part of South America, Latin America and other countries throughout the world. He also informed delegates about recent meetings with the leaders of India, South Africa and China. He emphasised that during such meetings he not only met with government representatives but labour leaders as well.

One of the most controversial issues facing the government is the negotiations on the FTAA. Of the more than 10 million Brazilians who participated in an informal referendum last fall, 98.33% maintained that Brazil should not join the FTAA. Nevertheless, Lula has clearly stated that he intends to be at the table, raising the issues of concern to Brazil. He has pledged not to negotiate away Brazil’s sovereignty.

In his remarks to the CUT congress, designed to reassure his supporters, Lula declared: ‘I have not changed one millimeter.’ Delegates responded by overwhelmingly voicing support for the president who comes from their ranks. But instead of simply taking him at his word, it has also chosen the path of autonomy, so that it is free to fight for the rights of working people when the government is pressed to compromise. In doing so, it will help to ensure that Lula does not change.

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*Alexander is the UE’s international labour affairs director. This is an edited version of an article which appeared on the UE’s website. The OE was expelled from the ICFTU during the McCarthy era.*