Who leads Latin America?

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A champion of Brazil’s poor, Lula has lost ground to corruption, economic torpor and his Venezuelan rival

FOUR years ago, when he was elected Brazil's president by a landslide, Luiz Inácio Lula da Silva seemed destined to become the spokesman for a new, more confident and more socially just Latin America. Not only does Brazil, the world's fourth-largest democracy, have legitimate aspirations to regional leadership and to a bigger role in the world. Mr da Silva's own life story—the seventh child of a dirt-poor family from the north-eastern backlands who rose to become a trade-union leader—entitled him to assume the moral leadership of a new, democratic Latin American left, one that seemed to have freed itself from the past attachment to an all-powerful state. Four years on, Lula (as Mr da Silva is universally known) seems almost certain to win a second term, either in a general election on October 1st or in a run-off ballot a month later. Sadly, however, he has lost some of his lustre.

His is not the loudest voice coming out of Latin America, nor even of its left. That belongs to Hugo Chávez, Venezuela's populist president. On September 20th, in a speech to the United Nations General Assembly, Mr Chávez trumped even Iran's Mahmoud Ahmadinejad in the adolescent stridency of his anti-Americanism, referring to George Bush as “the devil”. Loudness is not necessarily persuasive. But Mr Chávez is a cunning communicator who commands a deep well of oil money. He has dispensed largesse from Argentina to Africa (see article), and hopes that this will win Venezuela one of the two rotating seats for Latin America on the UN Security Council. For this he has secured the additional support of Russia and China, as well as that of a bunch of dictators from Belarus to North Korea.

Latin America's democracies have legitimate quarrels with Mr Bush and the United States. But it is hard to see how their interests will be effectively represented by Mr Chávez, an elected autocrat with a habit of trying to wreck any grouping he is unable to control. What is truly odd is that Venezuela's UN candidacy has the backing of Brazil. Lula is thus helping to offer his chief rival for leadership in South America a global platform. His view is that the best way to contain Mr Chávez is to include him, in the Mercosur trade group for example. This looks shortsightedly self-serving: it is a sop from Lula to his party's left-wing, which disagrees with his economic policies. And Mr Chávez's response? To help to humiliate Brazil in Bolivia, where Petrobras's oil and
Apart from the naivety of Lula's foreign policy in South America, there are two graver reasons why Brazil's president has lost his shine. One is that he has presided over a worsening of political corruption in Brazil. Last year, it emerged that several of his closest aides had orchestrated a scheme under which a score of legislators from allied parties were paid cash in return for their votes in Congress. This month, a new scandal erupted: members of Lula's campaign team quit after arranging to pay for and publish documents smearing opponents by linking them to a different corruption scheme. To cap it all, Antonio Palocci, Lula's effective finance minister for much of his first term and perhaps his future party leader in Congress, may face charges over yet another scam.

The economy is a further disappointment. Lula and Mr Palocci sensibly steered clear of debt default and stuck to responsible macroeconomic policies. But Brazil's economy has only crept along, growing by an average of just 2.8% a year under Lula. Swelling tax revenues, rather than smarter spending, have kept the fiscal accounts under control. Investment is restrained by red tape, poor infrastructure and regulatory uncertainty, as well as by the crippling tax burden on business.

It is all the more remarkable, then, that Lula is heading for a second term that in many ways seems unwarranted. Most Brazilians long ago concluded that their country's politicians are irredeemably corrupt. But many identify in Lula one of their own, and do not see him as having benefited personally from graft. Above all, the secret of Lula's electoral success is that he has kept his promise to help poorer Brazilians (see article). Thanks to a successful anti-poverty programme that channels small cash payments to 11m families, to low inflation, wider access to education and big increases in the minimum wage, the incomes of the poor are rising much faster than those of the middle class. The result is that in a country notorious for its inequalities, income is more equally distributed today than at any time in the past 30 years.

**How to restore the lustre**

Some of Lula's achievements owe much to his predecessor, Fernando Henrique Cardoso (as does the bad habit of tax-and-spend). Brazil's ways of helping the poor look more effective, sustainable and democratic than those of Mr Chávez, who relies on showers of oil money and Cuban advisers. But continued progress will require different policies, as Lula sometimes seems to recognise. In a second term, he should make a concerted effort to pry Brazil free from its low-growth trap. That will require cuts in tax, the federal bureaucracy and wasteful government spending, as well as reforms of pensions, regulatory agencies, education and the labour market. And it will be difficult. Lula's own party resists such measures, and he may be even more at the mercy of his Congressional allies' voracious appetite for public money. To pass the needed reforms, he may need to appeal to the opposition.

Brazil is often bracketed with China, India and Russia as one of the world's emerging economic powers. When it comes to economic growth, that is to flatter it. (It is also misleading: Brazil had a growth spurt from the 1950s to the 1970s, and is now a middle-income country in which sustaining rapid growth is harder.) If its economy were expanding by 5% or 6% a year, Brazil's claim to regional leadership would carry greater weight. And if Lula took serious steps to clean up Brazilian politics—by pushing for more accountable party and electoral systems—he would start to restore his own claims to moral leadership of the region's left. That is something from which both Brazil and Latin America would benefit.