# Brazil's Vinegar Revolution: Neoliberalism and the Economic Elites

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In spite of failing to free Brazil's economy from IMF debt control, Lula de Silva's leadership of Brazil also had important successes, particularly in the international political area.

These progressive polices did not fail to raise eyebrows in Washington. Lula re-orientated Brazil's foreign policy by opening up contacts with Cuba, condemning the US embargo on that country and offering significant loans and investments to the chagrin of Washington; Lula refused to classify the Revolutionary Armed Forces of Colombia (FARC) as terrorists; the Brazilian leader had close relations with Hugo Chavez of Venezuela; was a strong advocate of Latin American integration under Mercosur, and initiated closer bilateral economic ties with Africa and Asia.

Apart from the country's ignoble participation in the neo-colonial UN occupation of Haiti, Brazil played an increasingly independent role on the international stage, advocating dialogue rather than war in the case of Iran and denouncing external interference in the Syrian war.

Lula's successor Dilma Rousssef has continued this independent stance. She opposes the actions of NATO against Syria, denouncing foreign intervention and supporting the Russian position which advocates peaceful dialogue; this anti-imperialist, pro-third world stance by Brazil has placed the country outside the orbit of the New World Order dear to the Transatlantic Elite.

These nationalist and multipolar aspects of Brazil's rising national bourgeoisie, have, as in the past, marked the country out for regime change by the parasitic imperialists of the Northern Hemisphere, who will not tolerate a Latin America capable of pursuing an independent foreign policy.

An indication that the global financial elite favored regime change in Brazil came in the form of a *Financial Times* article in 2010 which described José Serra, the ultra-right wing opposition candidate to Dilma Rousseff in the 2010 presidential election campaign, as "by far the better candidate".

The Durban Conference of March 2013 was a landmark in international finance. The Brazilian and Chinese governments announced that they would use their national currencies in bilateral trade between the countries. This decision poses a direct threat to the future of the dollar as the world's reserve currency. The Durban conference also announced plans to set up a BRICS development bank to rival the IMF and World Bank. The rising national bourgeoisies of emerging economies are steadily challenging the global hegemony of the transatlantic power elite, who will rely on their agents among the comprador bourgeoisie of emerging economies to do their bidding in order to restore the old Euro-Atlantic dominated world order.

In the 2008 Doha World Trade Organization talks, Brazil's foreign minister Celso Amorim caused controversy when he protested against the tariffs and subsidies used by rich countries which prevent development in the Third World, comparing the propaganda which they use to promote such policies as equivalent to that of the Nazis.

*USA Today* reported:

> Poorer countries have demanded cuts in the farm tariffs and subsidies used by wealthy countries, saying they hinder Third World development. In exchange, rich countries have insisted on better market access in developing countries for their manufacturers and service providers.
>
> 'Better market access' for foreign investors is precisely what the United States expects to achieve if it can help a right wing, comprador government to take power in Brazil's 2014 election, or better still, if can reduce the country to chaos and destruction.

In contrast to Cardoso's free market policies of the 1990s, the Lula administration used the power of the state to prevent Vale from laying-off workers. The *Economist* magazine had this to say about Brazil's policies:

> A weather vane for state capitalism, a leading privatizer in the 1990s that is now forcing its biggest mining company, Vale, to keep workers it does not need, and obliging a bunch of smaller companies to embark on subsidized consolidation.

Here again we see the phenomenon of the national bourgeoisie, which can only maintain itself by co-opting the labour movement. While such a relationship keeps the wage worker in bondage to the capitalist, it can also be used to the strategic advantage of the worker as in the case of Vale, where the bourgeois state that relies on the support of the unions for its legitimacy is forced to exert pressure on corporations not to lay off workers. A multi-national corporation operating in a failed state would simply show the workers the door and have the labour leaders imprisoned or shot.

*The Economist* goes on to describe the new economic model adopted by the Brazilian government:

> The government has poured resources into a handful of state champions, particularly in natural resources and telecoms. It has also produced a new model of industrial policy: replacing direct with indirect government ownership through the Brazilian National Development Bank (BNDES) and its investment subsidiary (BNDESPar); and swapping majority for minority ownership by acquiring shares in a broad spectrum of different companies. Sergio Lazzarini, of Brazil's Insper Institute of Education and Research, and Aldo Musacchio, of Harvard Business School, have christened this model "Leviathan as a minority shareholder".

Such an economy in the hands of a rising national bourgeoisie would be capable of competing with imperialist powers for new markets. That is why London and Washington would prefer to see a return to the privatization spree of the 1990s, so that foreign investors and multinational corporations could themselves become the "Leviathan as a minority shareholder".

Fernando Henrique Cardoso did more for the IMF and the Western power elite than any leader in Brazilian history. In an article in the *New York Times* in 1999 economist Paul Krugman claimed that Arminio Fraga Neto, a former funder manager for billionaire financier George Soros, had passed on confidential information to the latter, which enabled the speculator to engage in insider trading, almost plunging the Brazilian economy into chaos. Krugman later backed off from his charges when he was threatened with libel by Fraga.

Right-wing opposition parties are clearly benefiting from the protests in Brazil. Far from being "spontaneous", the demonstrations bear all the hallmarks of a co-ordinated campaign by multi-national corporations and elements of the right wing comprador bourgeoisie working through various NGOS, following a pattern set in the build up to the fascist coup of 1964.

**Currency Wars**

Although relations with Washington would appear to be stable, deep tensions fester beneath the surface. The quantative easing fiscal policy undertaken by the US Federal Reserve and Japan since the financial crisis has resulted in an appreciation of the Brazilian real, adversely affecting the competitiveness of the country's manufacturing exports and driving up inflation.

The country's Finance Minister Guido Mantega sparked more controversy in the G20 summit in Seoul in 2010 when he described American fiscal policy as being tantamount to the declaration of a global currency war. The Brazilian government has responded to quantative easing by introducing protection tariffs on American imports, which has caused indignation in Washington. The Obama regime is pushing a free trade agenda in Latin America in order to boast exports. Japan has also engaged in quantative easing in order to prop up its struggling exports. This policy has been condemned by China and Brazil.

In September 2012 President Rousseff lambasted US monetary policy in her speech to the United Nations, which she described as "fraudulent" protectionism. The critical comments of Mantega and Rousseff contrast sharply with the obsequious attitude of former Brazilian Central Bank President Gustavo Franco, who said that the world should be cheering on the Federal Reserve as it has the capacity to revive the global economy.

It is clear that the Wall Street banking and intelligence establishment would prefer to see a return to the good old days of the Fernando Henrique Cardoso administration of the 1990s, where protective tariffs would be lifted, the role of the state in regulating the economy would diminish and the Western elite would no longer face the humiliation of having their fiscal sagacity questioned by upstarts from the Southern Hemisphere.

**Resource Nationalism**

In June 18th, 2013, the Brazilian government announced plans to increase state royalties from the mining industry from 2 to a modest 4 percent. The former chief executive of Vale SA, the world's largest iron ore exporter, condemned the decision, saying it would "hit miners hard”.

Reuters reported that:

> The legislation will test the government’s efforts to reduce tensions with investors, many of whom have criticized President Dilma Rousseff’s economic polices as erratic and her attitude toward business “heavy handed”.

The new bill will calculate royalties on the basis of gross income rather than net income, which is currently the case.  Brazil’s National Congress is to debate and vote on the bill later this year as well as well as the creation of a new mining regulatory agency to control the country’s vast resources of copper, bauxite, gold, nickel and manganese.

The government is also considering the creation of a mining exploration tax on large iron ore projects, a move described as “negative” by Barclay’s Capital.

Vale SA has come into conflict with Brazil’s National Mining Department over the royalties’ issue. The department claims that the company owes the state 3.12 billion dollars in unpaid royalties.

*Mineweb* reported that the new bill aims “to increase is part of a broad set of changes to mining regulations that are aimed at increasing state control over the industry and boosting the state’s revenue from a mining boom.”

*The Economist* wrote that the bill would “hit mining companies profits’, complaining that the Rousseff administration had “made investing in many sectors far tougher.”

However, as protests erupted throughout Brazil in June 19th, market fears were allayed when the “special participation tax” was dropped.

Vale SA is also contesting new taxes imposed by Brazil’s largest mining state Minas Gerais.

Brazil has some of the world’s most valuable resources. For years, multinational corporations ruled directly through the military dictatorship. Now the international investors and speculators have to deal with an increasingly assertive state and national bourgeoisie which wants to use the country’s resources for national development. Notwithstanding  the fact that the state’s revenues from mining are much lower than those of developed countries such as Australia (12%), as Brazil’s economy grows, so will the state’s ability to raise taxes and regulation of foreign companies.

Although the Brazilian government initially pursued neo-liberal economic policies by conforming to IMF dictates, the increasingly independent political and fiscal policies adopted by the Brazilian government have sent a strong signal to Washington that national sovereignty in Brazil is not for sale.

A 2011 report by the World Bank revealed that Brazil is the world’s most closed economy. Its rate of imports of goods and services was 13 % of GDP, the lowest in a list of 179 countries.

**Russia and China**

"Why should the United States trade with Russia and her satellites but insist that Brazil trade only with the United States?" asked Janio Da Silva Quadros in 1961 before he was overthrown by the United States for his heresies.

Brazil's growing economy and its membership in the BRICS alliance has brought the country closer to Russia. In February 2013, President Rousseff visited Moscow where she signed extensive new defense contracts with the Russian Federation.

Brazil has purchased anti-aircraft missile batteries on condition that Russian technology is passed on to Brazilian defense companies. Brazil has become the first country outside Russia to host the monitoring station for the global positioning system Glonass, which will rival US GPS technology.

Moscow and Brasilia have also agreed to increase bilateral trade from an annual turnover of 6.5 billion to 10 billion, as well as increasing energy cooperation in the nuclear and hydrocarbon sectors.

Russia opened an impressive arms pavilion in the LAAD Defense Show in April of this year in Rio De Janeiro where the Kornet anti-tank guided missile systems, Sukhui, SU 35 fighter jets, Mi-35 attack helicopters and a massive space pavilion, enabled the Russians to overshadow their European and US competitors. Russian military hardware is considered to be cheaper and better quality.

Consequently, the arms sales of Russian state-owned Rosoboron are at a record high. If Brazil continues to purchase Russian military technology, while benefiting from the technology transfer deals with Moscow, it could eventually be capable of defending itself against possible US intervention.

Brazil's increasing relations with China are also a source of deep concern for Washington. In 2006, the BBC published a report entitled: "China's influence in Brazil worries US", where it stated:

> The spectre of an encroaching China is made worse by a string of elections which has produced populist and US-skeptic, left-wing leaders. During the Cold War they would probably never have survived in office.

This development has not gone unnoticed in Washington. In 2008, the US government reactivated the Fourth Fleet, the US Navy Command operating under US Southern Command, (USSOUTHCOM). The move caused deep concern about US intentions in Brazil.

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