http://www.counterpunch.org/2014/10/31/beating-neoliberalism-in-brazil/print

Beating Neoliberalism in Brazil

Now It's the US Against the BRICS

by PEPE ESCOBAR

OCT 31-NOV 02, 2014

Sun, sex, samba, carnival and at least until the World Cup hammering by Germany, the "land of football". And don't forget "vibrant democracy". Even as it enjoys one of the highest soft power quotients around the world, Brazil remains submerged by cliches.

"Vibrant democracy" certainly lived up to its billing as President Dilma Rousseff of the ruling Worker's Party (PT) was re-elected this Sunday in a tight run-off against opposition candidate Aecio Neves of the Social Democracy Party of Brazil (PSDB).

Yet another cliche would rule this was the victory of "state-centric" policies against "structural reforms". Or the victory of "high social spending" against a "pro-business" approach – which implies business as the privileged enemy of social equality.

Exit cliches. Enter a cherished national motto: "Brazil is not for beginners".

Indeed. Brazil's complexities boggle the mind. It starts with arguably the key, multi-layered message a divided country sent to winner Dilma Rousseff. We are part of a growing middle class. We are proud to be part of an increasingly less unequal nation. But we want social services to keep improving. We want more investment in education. We want inflation under control (at the moment, it's not). We support a very serious anti-corruption drive (here's where Dilma's Brazil meets Xi Jinping's China). And we want to keep improving on the economic success of the past decade.

Rousseff seems to get the message. The question is how she will be able to deliver – in a continental-sized nation suffering from appalling education standards, with Brazilian manufacturing largely uncompetitive in global markets, and with corruption run amok.

Those ignorant, arrogant elites

Brazil is now mired in dismal GDP growth (0.3%). Just blaming the global crisis doesn't cut it; South American neighbors Peru (3.6%) and Colombia (4.8%) are definitely going places in 2014.

And yet the numbers are not that shabby. Job creation is up. Unemployment is down (only 5.4%). Investment in social infrastructure is picking up. From 2002 to 2014, the minimum wage more than tripled. GDP per capita is up, reaching roughly $9,000 while the gini coefficient of social inequality (2012 data) is down.

Industrial production is back to the same level before the 2008 financial crisis. Brazil paid all its debts to the IMF. The proportion of debt in relation to GDP is falling – reaching only 33.8% in 2013. Workers have more purchasing power – and even with rising inflation, that mirrors better income distribution.

Social programs have benefited 14 million families – roughly 50 million Brazilians. These policies may arguably be derided as too little, too late Keynesianism. But at least that's a start – in a nation exploited by immensely ignorant, arrogant and rapacious elites for centuries.

Rousseff's first stint as president may also be blamed for too many concessions to big banks (extremely profitable in Brazil), powerful agribusiness interests and Big Capital. What happened, in a nutshell, is that the center-left Workers' Party swung to the center – and was compelled to make unsavory oligarchic alliances. The result is that a significant section of its social base – the metropolitan working class, now heavily indebted to sustain its brand new consumer dream – ended up flirting with the right as a political alternative.

Add to it the PT's not exactly brilliant management skills. True, the fight against poverty is a lofty ideal. But in such an unequal nation, that will take at least until 2030 for really serious results. Meanwhile, serious planning is in order – such as building a high-speed rail between the two megalopolises, Rio and Sao Paulo (the Chinese would do it in a few months). And seriously tackling Brazil's oligopolies; banks, corporate media, construction/real estate conglomerates, the auto industry lobby.

And the loser is – neoliberalism

Unlike the US and Europe, neoliberalism in Brazil has been repeatedly knocked out at the ballot box since 2002, when Lula was first elected president. As for the "social democrat" opposition, there's nothing social, and barely democratic, about it. The PSDB's pet project is turbo-neoliberalism, pure and simple.

Team Neves had everything going for them. Their key constituency was in fact 60 million mostly angry Brazilian taxpayers – over 80% living and working in the wealthier southeastern seaboard. Life is tough if you are a Brazilian salaried professional or the owner of a small and medium-sized enterprise. The tax burden is on a par with the industrialized world, but you get virtually nothing in return.

No wonder these irate taxpayers are desperate for decently paved roads, urban security, better public hospitals, a public school system they can send their children to, and less red tape and bureaucracy – which add to the nefarious, universally known "Brazilian cost" (as in no value for money). These are not Workers' Party voters – although some of them were. What they want is galaxies beyond the everyday tribulations of the new, large lower middle class created by the social programs first implemented by Lula.

Yet with a mediocre candidate like Neves – he even lost in his home state, where he was governor – neoliberalism does not need enemies.

Neves predictably billed himself as the dragon who would slay what Wall Street derides as "statism" – cutting government spending and "liberalizing" trade, code for privileging corporate US interests. At the same time Neves has never been able to capture the vote of an overburdened black woman in the favelas.

With Neves, Brazil's future finance minister would have been Arminio Fraga, a slick operator who, among other things, ran high-risk funds in emerging markets for George Soros and is also a former president of Brazil's Central Bank. Some of his shenanigans are detailed in *More Money*

Than God: Hedge Funds and the Making of a New Elite, by Sebastian Mallaby. Fraga would have been the point man of a Soros-inspired government.

Fraga is the proverbial Wall Street predator. With him at the Finance Ministry, think JP Morgan controlling Brazil's macroeconomic policy. The road in fact was already paved by PSDB's eminence, former president Fernando Henrique Cardoso, who met with key global investors – via JP Morgan – in New York last month.

Fraga was keen on destroying the Lula and Rousseff administrations' "hyper-Keynesian bet on demand" and replace it with supply, via a new "capitalist shock". Predictably, his prescription was amplified by the enormous echo chamber of conservative Brazilian media, and drowned everything else.

And as perception is reality, contamination ensued – pressuring public spending downwards, installing major confusion among private investors, and leading Western credit rating agencies to confirm the supposed lack of credibility of the Brazilian economy.

And it's the US against the BRICS

Brazil is slowly but surely moving from the semi-periphery to being closer to the center of the action in international relations; because of its own regional geopolitical relevance and mostly because of its leading role among the BRICS. This is happening even as Washington could not give a damn about Brazil – or Latin America for that matter. US Think Tankland, by the way, abhors BRICS.

Politically, a victory for the Cardoso/Neves neoliberals – a ghost of the social democracy they once practiced – would have thrown Brazilian foreign policy upside down; not only against the way the historical winds are blowing, but also against Brazil's own national interests.

As Rousseff argued at the UN last month, Brazil is trying to fight a global crisis marked by increasing inequality without provoking unemployment and without sacrificing workers' jobs and salaries. As ace economist Theotonio dos Santos stressed the decadence of the West still exerting substantial influence over the Global South via their extensive network of collaborators, he also went one up; the key fight, as he sees it, is to control Brazilian oil.

Dos Santos is referring to Brazil's top corporation, Petrobras, currently mired in a bribery scandal – which must be fully investigated – that obscures the Holy Grail: the future revenues from "pre-salt" oil – named after the billions of barrels of oil capped by a thick layer of salt lying several miles below the south Atlantic floor. Petrobras plans to invest $221 billion up to 2018 to unlock this treasure – and expects to make a profit even if oil trades around $45 to $50 a barrel.

Politically, in a nutshell, Rousseff's narrow victory is crucial for the future of a progressive, integrated South America. It will reinvigorate Mercosur – the common market of the South – as well as Unasur – the union of South American nations. This goes way beyond free trade; it's about close regional integration, in parallel to close Eurasia integration.

And starting in 2015, Brazil may be on the road to renewed economic expansion again – largely boosted by the fruits of "pre-salt" and compounded with accelerated building of roads, railways, ports and airports. That is bound to have a ripple effect across Brazil's neighbors.

As for Washington/Wall Street, the Empire of Chaos is certainly not happy – and that's a major euphemism, especially after betting on the wrong horse, Marina Silva, a sort of Amazon rainforest-born female counterpart to Obama's "change we can believe in". The fact is as much as the Brazilian model of income distribution is against the interests of big business, Brazilian foreign policy is now diametrically opposed to Washington's.

On a lighter note, at least some things will remain the same. Like "Dilma's diary" – an apocryphal, satirical, ghost written take on the President's busy schedule published by top Brazilian monthly Piaui, a somewhat local version of The New Yorker. Here's a typical entry: "I watched a whole pirate copy of Homeland. Awesome! We stayed up late, me and Patriota [the former Minister of Foreign Affairs]. He found the whole thing extremely believable!"

Who said a "vibrant democracy" can't also be fun?