

BRAZIL AND THE 21ST CENTURY

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Brazil in 2000

Brazil entered the year 2000 reasonably recovered from the crises spawned by the devaluation of its currency, the *real*, in January 1999. The more pessimistic prognoses, which foresaw a significant reduction of GDP, high inflation and the resulting valuation of the dollar, did not materialize. The GDP will probably display a slight increment – although the *per capita* GDP has deteriorated – and inflation (as measured by the IPCA index) hovers around 8%, while the so-called commercial dollar has stabilized in the R\$ 1.80 range. Add to this that public accounts, including the welfare system, finished 1999 in the black, with a primary surplus of roughly R\$ 30 billion, or approximately 3% of the GDP. Public debt, excluding the Central Bank's accounts, remains near R\$ 412 billion, or something like 40% of the GDP. The trade balance closed the period in the red, in spite of the currency devaluation. The overall deficit in current account represents approximately 4.4% of the GDP.

The social sphere witnessed important improvements in the educational sector. In 1999, 97.5% of Brazilian children had access to school, compared with 86% in 1990. The illiteracy rate for the under-16 population fell to less than 5%, analphabetism being now more concentrated among the older population. The

overall illiteracy rate, comprising all ages, is now 12%. Enrollments in secondary schools had a significant 40% increase between 1995 and 1999. The health sector, in spite of the precarious conditions of most hospitals, also showed progress. The number of community agents, for instance, rose to 100,000 in 1999, as compared with only 22,000 in 1995.

Politically, however, 1999 was marked by an enormous and abrupt fall in the popularity of president Cardoso. Albeit reelected in the first round of the 1998 elections with an absolute majority of votes, the negative impact of the currency devaluation, coupled with very pessimistic expectations ardently exploited by the opposition and by the media, toppled the president's image. Cardoso responded by launching a Pluriannual Plan (2000-2003), a great program of economic and social development, with anticipated investments of R\$ 170 billion, approximately 70% of which by the private sector, and by vowing that the country would enter a stable phase of sustainable development. At the onset of the year 2000, president Cardoso's unpopularity showed signs of abating.

More Immediate Problems

As mentioned above, Brazil enters the 21st century with the great historical challenge of its underdevelopment still unresolved. Brazil's underdevelopment is characterized chiefly by the enormous gap that separates a minority of well-educated citizens, approximately 30% of the total population, whose quality of life is comparable to that of the central nations, from the large majority of uneducated have-nots. Among the poor, 14% of the families live in absolute destitution and 31% in a state of abject poverty. This huge inequality also has a regional and agrarian overtone, as the greater part of the disadvantaged population live in the northeast and in rural areas, and also in metropolitan pockets of misery. On the other hand, although the average standards of Brazil's modern sectors and strata compare advantageously with those of southern Europe, there is an appreciable technological asymmetry between Brazil and the world's more advanced countries.

Besides confronting the great task of overcoming underdevelopment on the threshold of the 21st century, Brazil also faces serious short- and medium-term

problems that must be solved if the country does not wish to forgo development altogether. The most immediate problems are, ultimately, of two orders: economic/financial and political/institutional.

In the economic/financial sphere, Brazil suffers the constraints of two renitent deficits: in the balance of payments and in the accounts of the federal government. With a long-lasting chronic deficit in services, the country has for many years also shown a deficit in its balance of trade. Although this may possibly be rectified in 2000, it nevertheless meant a balance of payments deficit of approximately 4% of GDP in 1999. In spite of a primary surplus of 3% of GDP, the net deficit of the public sector – derived mainly from the imbalance of welfare accounts and the high interest rates on the internal debt – exceeded 7% in 1999.

There is a perverse relationship between both deficits. If the interest rate is cut to reduce the deficit in public accounts, the country's attractiveness for foreign capital is correspondingly reduced, worsening the situation of the balance of payments. If interest rates are increased to attract external capital, the deficit in public accounts is likewise increased.

In such a no-win situation, the only possible solution must display a positive character, namely, the adoption of measures that, on one hand, substantially increase exports and refrain imports to a reasonable level, and, on the other, bring order into public accounts by means of tax and welfare reforms capable of steadying welfare accounts and of generating a comfortable surplus, by minimizing costing expenses, for the government to invest.

The second order of more immediate problems refers to institutional and political issues that affect the country's governance in an extremely serious way. At present, Brazil is almost ungovernable. The governance crisis derives from grave flaws in its political and institutional systems.

The deficiencies of the political system derive mainly from an inadequate electoral regime and from the even less adequate rules that regulate political parties. These rules allow, and even abet, an unbounded proliferation of political parties – parties deprived of any actual public meaning and that are overwhelmingly converted into political merchandising machines. Political parties have become meaningless acronyms to which politicians affiliate and disaffiliate themselves at the whim of opportune electoral or other interests. The current electoral regime favors the election of candidates devoid of any public significance, who will discharge

their mandates having only their personal interests in mind. Thus, the lack of programmatic guidance and the difficulty to establish consistent majorities in each legislature force every incumbent Administration to bargain with each representative, individually, the measures it considers to be in the public interest.

The other dimension of Brazil's ungovernableness has many origins but derives mainly from the fact that its current Constitution was originally conceived to regulate a parliamentary regime yet, at the eleventh hour and without any changes being made to the preexisting text, a presidential regime was implemented. This led to deep incongruences between the attributions of Congress (initially conceived to be the major power in the Republic) and the attributions of the president – who, in spite of the appearance of power conferred upon him by the right to issue “provisional measures”, became hostage of a Congress whose powers do not correspond to its public responsibilities and enjoys indissolubility.

Brazilian ungovernableness, which has been temporarily assuaged by president Cardoso's exceptional patience and skills, can only be amended by profound reforms in the political parties and institutions. It is essential that popular votes be made politically representative by means of a reapportionment of electoral districts. It is equally indispensable that the number of parties be limited by requiring them to obtain a significant minimum number of popular votes. This will force them to adopt consistent programs (which must include in-party discipline) and, in each legislative mandate, to submit to the exigencies of a stable majority under a single leadership – something that can be achieved by long-lasting coalitions between parties when no party, by itself, obtains such a majority – under the pain of dissolving the Chamber of Deputies and summoning of new elections.

In the three remaining years of its second mandate, the Cardoso administration must promote reforms that enable the country to achieve once again true stability in its balance of payments and in the accounts of the public sector. On the other hand, it must also mobilize public opinion and Congress to enact political and institutional reforms that restore the country's governance. To this end, the effective implementation of the Pluriannual Plan must deal concomitantly with the most pressing aspects of the social crisis and restore the good public image of the president. It will not be possible to achieve substantial goals such as these between 2000 to 2003. But it is possible to prepare the country to face the great challenges of the 21st century.

Challenges of the 21st Century

The future is always specifically unpredictable. The continuous acceleration of history since the onset of modern times, vertiginous since World War II, makes it particularly impossible to anticipate what the 21st century will concretely bring. The two major factors of this unpredictability are (1) the extraordinary technological innovations that are emerging and will continue to emerge, with all the effects they will have on the society of the future, and (2) the very courses that this society of the future will follow. Such erraticism derives not only from the unforeseeable impacts of technological innovations but mainly from the profound cultural changes occurring in the societies of mass consumption to the detriment of its higher values. However, aside from any other circumstances, two major trends may be identified in regard to the new century, involving both the process of globalization and the establishment of a new world order.

The ongoing process of globalization, about which there is ample literature, is characterized by extreme asymmetry – as had occurred previously in the commercial and industrial revolutions, but incomparably more far-reaching. A restricted number of countries and groups will reap almost all the benefits of globalization. Some countries and groups – as may the case of Brazil and South America within the realm of Mercosur – will achieve a state of equilibrium. But the great majority of human groupings will bear the burden of this process. Multiple and variegated costs will lead to massive unemployment, to all sorts of negative displacements, to a loss of collective identity and to the overall helplessness and abandonment of individuals. Such negative effects – which will often be accompanied by technology-induced improvements in the standards of living – are basically inevitable because national structures will be irresistibly torn asunder by the globalization process and, at the same time, no countervailing international institutions will emerge. The great majority of people will lose their national citizenship long before the advent of a more stable and reasonably equitable world order.

The establishment of a new world order is another macroprocess that will take place in the course of the 21st century. With the implosion of the Soviet Union, the bipolar world order that regulated the globe in the latter half of the 20th century ceased to exist. In its place, the United States, the only remaining superpower, are

exerting an increasingly ample and well-consolidated hegemony while imposing, in a relative benign manner, their *Pax Americana*. But important forces exist, both within and outside the United States, that oppose this hegemony: China, Russia and the more important countries of the Islamic world, such as Iran and Iraq, actively resist it. In the European Union, split between an *Atlantic* (Great Britain and the Nordic countries) and an *Europeanist* (Latin, Germanic and Slav countries) position, it is unlikely that *Europeanizing* forces will achieve sufficient predominance to lead Europe to truly independent foreign and defense policies. Thus, the *Pax Americana* will rule the Western world over the next decades.

However, it is probable that by the mid-21st century China will have achieved a status of equipollence with the United States, becoming a second superpower. Russia, in turn, will have recovered from the great restructuring crisis caused by the disaggregation of the Soviet Union and will regain its superpower status. Such circumstances may lead, by the mid-21st century, to a reconstitution in new guise of the bipolarity that existed in latter half of the preceding century. Even more than the old one, this new bipolarity, on an incomparably higher military/technological level, will render impossible any kind of warmongering outcome. Thus, in the long run, under the pain of the collective suicide of the world, the need for a commitment to coexistence will impose itself, leading to the establishment of a *Pax Universalis* along the lines masterly imagined and advocated by Kant in *Perpetual Peace*, 1795.

Confronting these two great future trends, Brazil will carry from the 20th into the 21st century the imperative of overcoming its underdevelopment. Furthermore, in the course of the new century, it must face up to the negative effects of globalization and, at least during the first half of the century, of the *Pax Americana*.

At stake for Brazil in this future scenario will be the arduous preservation of its internal and external national feasibility. As stressed above, globalization will benefit a restricted number of countries while disaggregating the national structure of the great majority and offering no satisfactory compensation. Brazil's ability to preserve its feasibility as a nation during the first half of the 21st century will depend, first and foremost, on how well it can consolidate its domestic social integration, eliminating over the next two decades the abysmal fissure that separates its educated and modern minority from its huge uneducated and primitive masses. It will also depend on how competently it manages the process of globalization –

preserving a satisfactory margin of autonomous decision-making and production while incorporating foreign capital and technology.

Within the framework of a predominant *Pax Americana*, Brazil's preservation of its external autonomy will depend on how Mercosur is to be consolidated and expanded in South America, preventing its annihilation by NAFTA while maintaining close ties of cooperation with Europe and the larger Asian and Islamic countries, and an ongoing regime of balanced and independent relations with the United States.

The disaggregation of national structures – an increasingly likely consequence of the process of globalization, particularly in the areas where the *Pax Americana* predominates – will be so much more detrimental as the affected populations are more numerous. Populous African countries with very deficient national structures, such as Nigeria, are already a grim indication of what will tend to happen.

If Brazil manages to overcome its underdevelopment by the time horizon of 2020 – an eminently possible event – and if it is satisfactorily governed, maintaining the annual growth rate of the GDP at no less than 5%, its *per capita* GDP will reach US\$ 15,000 by that year. If, over the same period, it also attains an acceptable level of social integration – an equally possible event – conditions will be ripe for the country to preserve its domestic autonomy and to assure, in the realm of Mercosur and with adequate foreign policies, a reasonable degree of international autonomy. This will enable the Brazilian people to establish one of the great societies of the 21st century and, if the world does not commit collective suicide with a third world war, to pass in good health into the age of the *Pax Universalis* in the latter half of the 21st century,

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