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Making Progress: A Conversation with Fernando Henrique Cardoso

Brazil's former President talks with the *AI*'s Walter Russell Mead about his country's emergence as a democracy and an economic powerhouse, and how a man of the Left got labelled as a man of the right.

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The American Interest: Mr. President, is Brazil no longer "the country of the future"? Has it finally arrived?

Fernando Henrique Cardoso: When I was in office, I said even then that the future was already here. It was in 1999, after all, that the label "BRICs" came about, largely because Brazil was on its way. The country's economic and social development had by then passed some important landmarks. The first was the new constitution in 1988, not just because it brought democratization but because our old constitution was outmoded in certain respects. It had come about in a bipolar world, and it overemphasized the role of the state in the economy.

With the basis of a sound democracy in the blueprint of the constitution, after 1988 we developed the architecture of a democratic system. The people became better organized in pressuring the government. This movement had started earlier, of course, in the various campaigns against authoritarianism, but the new constitution made a big difference by explicitly giving the people the right to organize, to raise demands and to force the government to act. As a result Brazil became a more vigorous and vibrant society.

The second important step forward was the opening of the economy beginning in the early 1990s. President José Sarney understood his role as a democratic President, even though he had been very invested in the military, and he took some important steps to liberalize the economy. Then, in early 1991, President Fernando Collor de Mello abruptly decided to decrease tariffs over a four-year period. There were widespread protests against this, as many feared it would harm Brazilian industry, which for many years developed under the shelter of very high tariffs. But this was a necessary step to inject some competitiveness into the Brazilian economy. Next was the monetary stabilization that occurred during my tenure as Minister of Finance under acting President Itamar Franco: the Real Plan, beginning in 1994. How many people can say, "I created a new currency"?

AI: It was a great change. I remember that, before it, Brazilians would object to their ancestors being depicted on the currency.

Fernando Henrique Cardoso: After I took office in January 1995, stabilization continued with measures to change the rules for building and operating the budget, to privatize state-owned operations and to create regulatory agencies. Finally, stabilization made it possible to develop more effective social policies in education, health and social security. Without a stable currency we could not control state revenue and expenditures as required for any long-term policy. So, for example, for the first time we were able to offer education for all. We established that health care

Fernando Henrique Cardoso was President of Brazil from 1995 to 2002.

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is a right for citizens and an obligation for the state. And then came the programs for family fellowship, the Bolsa Familia Program. We then decided to increase the minimum wage in real terms, and from about 1994 to today it has increased in real terms. Altogether, the more open economy, foreign capital investment and the busting of monopolies produced a new Brazil, an "awake" Brazil.

AI: I note that you did not mention the role of innovation in Brazil's recent successes, so let me raise an incident we have both written about: Dom Pedro Segundo's visit to the Philadelphia Centennial Exposition in 1876. Dom Pedro in a sense "discovered" the telephone, yet telephones came to Brazil through British and American investors rather than Brazilians. In the 19th century, too, Brazil had a series of commodity booms that created fantastic wealth, not dissimilar to those that happened in the United States. But unlike the United States and Canada, Brazil and Argentina were not able to transform that commodity wealth into any kind of lasting international strength and autonomy. In Brazil that wealth was not invested in a post-agricultural economy. I think that's what people historically have meant by saying Brazil is the country of the future. What is different in 21st-century Brazil? There is a sense now of the importance of innovation and investment. Where did that come from, and how deep does that sense go?

Fernando Henrique Cardoso: We have a more educated population now, with the capacity to lead in technology and to industrialize accordingly. Compared to Argentina, Brazil is simultaneously an agrarian export-oriented society *and* an industrial economy. More recently, because of telephone automation, we're becoming more up-to-date in terms of services. São Paolo is one of the ten most impressive cities in the world as a communications hub. We can compete globally now, and our capacities in telecommunications now connect us to Italians, the Spanish and the Portuguese in the process of competition. It is good for everyone.

AI: The first time I came to Brazil in the late 1980s I had to register my computer's serial number in my passport, lest there be too many computers in Brazil. I am glad this is no longer the case.

Fernando Henrique Cardoso: Yes, but we still lag behind because of a law increasing tariffs for this kind of product, in order to stimulate local production. This stimulation doesn't occur—quite the opposite. But the old protectionist mindset is not easy to change. We are changing it, however. A new law that I helped to pass in the Senate has now broken the old system. It was difficult to convince my colleagues that Brazil would gain from accepting foreign imports and receiving foreign investment in this area, but we succeeded.

AI: Why is the old mindset still so strong at a time when practically every democracy in the world recognizes the value of trade and the power of markets?

Fernando Henrique Cardoso: Well, Brazil has several companies that have needed the government to invest and manage them because we lacked other resources. I'll give you an example. The first steel industry in Brazil, Siderúgica Nacional, was created at the end of the 1930s and started operations in 1941. Brazil under President Getulio Vargas wanted to industrialize rapidly, and as a very competent political operator, he devised a plan to achieve this. He sent messages to the United States that he was negotiating in Germany with Krupp. Because of the war, the United States had an interest in getting access to Brazilian bases in the northeast, and the Americans did not want German intrusions in the Western Hemisphere under any pretext. So Vargas made a deal with President Roosevelt: He gave permission for U.S. access to bases in Brazil, and the U.S. Import-Export Bank extended a loan to build a domestic steel industry with what amounted to U.S. financing. Before, the U.S. steel companies refused to invest in Brazil because there was no domestic market to justify it. So the state's interference was necessary to propel industry. A similar process occurred with the oil industry.

This history is one reason why the average Brazilian still believes that without state involvement the economy can't move ahead—because it was true in the past. Globalization has now changed everything, but in the Brazilian mind the memory still has weight.

AI: I sometimes detect an attitude that Brazil would inevitably lose in any free

economic competition.

Fernando Henrique Cardoso: Yes, but this too is changing. We now have several businesses, private and governmental, like Embraer, which was once a state-run company. Now it is privatized and it is able to compete, and Brazilians are proud of that.

AI: I read your autobiography recently, and it was really very enjoyable. I was struck that you say relatively little about corruption, except reference to one particular President. Yet one often hears that corruption, while perhaps less evident at the national, presidential level, is endemic at the provincial and administrative level in Brazil.

Fernando Henrique Cardoso: It is endemic, and it is probably getting worse at the provincial and administrative levels. There is corruption at the high level, too, but what is new is its pervasiveness at the local level.

One reason is that the country is more prosperous, so there's more money to take. Another reason is that our federal system is now more decentralized for the sake of general efficiency, so it is more difficult to control local corruption. Corruption does not exist everywhere to the same extent, but there is a pervasive impression that it goes unpunished. Now things are more open than ever, so that everyone knows which high-profile officials are engaging in corruption and which of them can afford powerful lawyers to manipulate the judiciary to postpone or pervert decisions. This produces a sense that corruption is even more widespread than it is. What is dramatic is the lack of penalties for corrupt people. This has come about, I think, in part because in Lula's government Lula himself was much more lenient, always giving excuses for the guilty parties and never condemning them.

AI: I wonder whether this relates to the gap in Brazil between the most advanced, developed regions and the states that still lag behind. In the poorer states I sense an almost feudal pattern of government, in which corruption isn't understood to be against the law but is seen as just the way things are done.

Fernando Henrique Cardoso: Yes, there is a confusion between what is public and what is private. This is patrimonialism and clientalism, and it is accepted as normal in many places.

AI: Right, so people whose mentalities are shaped by a traditional, agricultural past are now acting in a modern sector. In the American South, where I'm from, we see a lot of the same thing. It's interesting that when I travel from Argentina to Brazil, I instantly feel at home when I get off the plane.

Fernando Henrique Cardoso: I experienced the same familiarity when I first visited the United States. I was living in Paris in 1951. My training was oriented by European values. My second language is French, which is common among my generation. On top of that, I belonged to the Left in my country. In 1961, I came to New York City. Despite my cultural ties to Europe, walking around New York I felt at ease. I felt like I was in my own home because of the geography, the big spaces, the social mobility, lack of hierarchies and the racial diversity.

AI: Exactly: Our countries both have forms of nationalism that don't depend on appearance or blood.

Fernando Henrique Cardoso: It is one of many things Brazil and the United States have in common, but this is curious. In terms of social structure, Brazil is more like America than like France, Spain or Portugal. (The Argentinians are different; they're much more European.) But culturally we are more like France, Spain and Portugal than we are like the United States.

AI: And on the point of social structure, the presence of a large African diaspora in Brazil and the United States links our countries perhaps like no others in the world. You've written a great deal about race, and focused on it during your political career. What is the state of race relations in Brazil today, and what still needs to be done?

Fernando Henrique Cardoso: As you know, Brazil was late in abolishing slavery: 1889. And after slavery ended, no program arose to promote the integration

of blacks. The persistence of the old colonial system made land difficult to amass. When blacks began migrating to urban areas, black women played a crucial role because they could get jobs there, particularly as maids. The men moving from the countryside to the cities formed the first wave of marginalized people, the first slums. So it took a long time to integrate blacks into a changing capitalist, market-based society. They had very low levels of education and remained mostly in the informal sector.

When I was in office, only 75 percent of black children were enrolled in public schools. At the end of my term, it was up to 93 percent. Now they can start moving ahead. But we never had what you did in America: races characterized legally as separate groups. We never had any equivalent of Jim Crow or segregation after the end of slavery.

AI: Brazil might have been like the American North, where there weren't racially based laws, but customs carrying racist attitudes remained strong.

Fernando Henrique Cardoso: True, but we don't have the sense of racial distinctions by blood. We never had this idea that one drop of "colored" blood makes a person "non-white." It is hard in Brazil to tell another's precise lineage by appearance, because we have many mixed-race people with many shades of skin color. But the important thing is that no one cares. This puts us in an odd situation. It allows us some social flexibility, but it also disguises prejudice. Our relatively liberal attitudes lead many to think that we have no significant problems, but this is not so.

AI: You did research on racial issues in Brazil back in the 1950s, around the time that Gunnar Myrdal was writing about similar issues in the United States, right?

Fernando Henrique Cardoso: Yes, Myrdal wrote that wonderful book, *An American Dilemma*, which had an enormous influence on us. The blacks were often excluded, particularly in places I studied in the south of Brazil that were largely inhabited by European descendants. These people had never worked in plantations or even had parents or grandparents who did. There was no tradition or experience of interacting with blacks, and so in that area blacks were not allowed to use swimming pools, or boats (strange, about boats, but perhaps it was psychologically connected to water and hence the threat of some contamination through water). This seemed very strange to me. It was the only case I found of absolute exclusion; this level of distinction didn't exist elsewhere, where intermarriage was common. Race relations in Brazil are much more nuanced and fluid than in the United States, where distinctions were sharper and to some extent, I think, remain so.

AI: Yes, and what you describe as nuanced and fluid race relations also manifests itself in culture, too, does it not?

Fernando Henrique Cardoso: Yes, it is an important difference that in Brazil we don't have "white culture" and "black culture." Our music is black and white, and so is our food. Our culture is mixed, blended. There is a famous poet and musician in Brazil named Vinicius de Moraes, who said something to the effect, "I am the blackest white in Brazil." Blacks became more accepted as part of Brazilian heritage because of the arts, and because of sports. Our greatest novelist, Machado de Assis, was a mulatto, but nobody identifies him that way. He didn't write "black novels" as far as we are concerned; he wrote Brazilian ones.

AI: You're often considered a man of the Right, probably because of the trajectory of the economic reforms with which you are identified. But as you note in your autobiography, you once started a Marxian study group, and intellectually your roots are in the world of the non-authoritarian Left. How did you end up getting tagged with the "right-winger" label?

Fernando Henrique Cardoso: People often apply labels to disqualify those they do not agree with. I think it is a universal tendency. I started my formal training by reading plenty of non-Marxist authors, starting with Max Weber and Émile Durkheim, but later I read Marx's analysis of the capitalist system, which influenced books I wrote. My doctoral dissertation, about Brazil's racial realities, was really about the connection between capitalism and slavery in the south of Brazil. The slaves there were involved in drying meat and were in competition with free labor in

Argentina. The historical, structural and analytical framework of that work came from Marx, but other aspects come from Weber: for instance, whether class-consciousness can be applied to slaves. How could I use Marx's surplus-value theory in an economy in which the slave is a fixture, not a variable, of capital? I never allowed myself to get trapped in an ideological straightjacket of any kind, because I was always more interested in the problem I was studying than in the theory I was using to study it.

AI: That's good advice, I think, in general. It is also what *The American Interest* magazine is all about.

Fernando Henrique Cardoso: The important thing is to remain true to reality as it changes, and to learn from experience. In the past, I was much closer to the idea that the government was an important and even necessary instrument in development. Now I believe we have to be balanced and allow market forces room to play out. I think that I am representative in this regard of the Left in Brazil. Brazilian leftists have never been doctrinaire Marxists in the sense of being authoritarian and statist. Rather, it is the Right in Brazil that seized those ideas, which may account for the Left's allergy to them. I consider myself left-of-center because I'm a radical democrat. I think it's essential to promote both equality and liberty, and that an open politics should be concerned primarily with reconciling the two.

AI: Speaking of an open politics and its challenges, in your autobiography you were fairly gentle with President Hugo Chávez of Venezuela, saying at the time he was adhering to democratic means. How do you feel about him now?

Fernando Henrique Cardoso: Chávez became President because of the corruption in Venezuela and the lack of interest among the elites in the welfare of the population. He started by trying to amplify social rights and so on but gradually became more authoritarian and less capable of producing what Venezuela needs: a more differentiated economy. Its economy is still based on oil and nothing else. He is not promoting any alternatives and is now much less effective than when he started. When I had early contact with him, oil was $15 per barrel; now it's $100 per barrel, yet most Venezuelans are not better off. Now that he has more wealth and power, he has disdained the reforms necessary to transform Venezuela into a truly democratic society.

AI: Your relationship with President Lula has had its ups and downs over the years, too. Now that his tenure is over, what's your assessment of him?

Fernando Henrique Cardoso: First, Lula has played a very important symbolic role, because Brazilian elites have for so long controlled access to a better life in Brazil. That a poor migrant and union leader became President is a huge achievement, for him and for the country. No one questioned his legitimacy as President.

Second, he has been bright enough to deny his own history. Lula opposed every step toward modernization that I supported as President. He opposed the Real Plan, the regulatory measures, the Bolsa Familia fellowships, the fiscal responsibility law. He said they were for beggars, not for citizens. When he became President, however, he put all that aside and followed the same road I had been on for years, without explaining his shift of position either to me or to the public.

Lula was so enthusiastic about himself and his government that it gave the nation a kind of hope again. Symbolically, this was very positive. On the negative side, as I have said, he was more complacent about corruption. He didn't articulate priorities for legislation. He had no strategy for the country's future growth. He was a great tactician, however. So he could ride waves even if he could not create new ones.

Above all, he avoided conflict. At the end of my tenure, the oligarchs whom I had shunted aside had largely reformed themselves and had found new ways to earn their prestige. Lula was more conservative; he left the remaining traditional structures as they were, and he benefited from that. He also benefited, of course, from the country's good economic performance, which was not his own doing for the most part, and he benefited politically from his redistributive policies. I was much more radical in changing Brazilian political culture, but I am considered, as you

suggested, of the Right and he of the Left. Politics can be an odd business. I think Lula had the capacity to innovate, especially as his political position grew stronger, but he preferred not to use it.

AI: Interesting. Do you think his successor Dilma Rousseff, from his own party, will follow along his lines or branch out into something else?

Fernando Henrique Cardoso: To my surprise, the new President has sent signals of significant change, and in the right direction. She refers to human rights more consistently, which Lula never actively supported.

AI: I understand that she supported sending a rapporteur to Iran for human rights.

Fernando Henrique Cardoso: Yes, and the Brazilian role in the Human Rights Commission in Geneva is changing a little bit, which I think is positive. She's also more concerned about the fiscal situation. Lula used the financial crisis as a pretext for anti-cyclical policies. She's trying to regain control over that. She decided not to decide yet the question of which military fighters to purchase, whereas Lula had been ready to go with the French—apparently without any political or strategic argument to support his decision. It's too early to have a firm opinion of her, but I can't criticize the initial steps she has taken.

AI: When you were President, there was a lot of controversy about the Mercosul vision of the North American future and about the idea of a FTAA, a Free Trade Area of the Americas. But neither one of those concepts seems to have much life left in it. Is there or should there be a vision for the future of the Western Hemisphere as a whole, and what should it look like?

Fernando Henrique Cardoso: In the case of the FTAA, we Brazilians could not put together a viable response. At the time there was a huge fear of foreign entrepreneurs; they seemed so different culturally and in the way they thought about industry. It was almost impossible to approach this with common sense, so we tried to postpone the matter and wait for a better day.

AI: I thought it was because oranges and sugar weren't going to be on our list of concessions.

Fernando Henrique Cardoso: That was really the least of it. And we still have problems with this whole area. Brazil is in a difficult situation because Mercosul isn't getting stronger, and anyway it is not comprehensive enough to serve the country's real interests. The United States has special bilateral arrangements with a few countries in the hemisphere, which leaves the Brazilian government in relative isolation.

What has changed is that now Brazil has its own entrepreneurs, they have jumped at opportunities despite all the political impediments, and they are making big profits. This has led to an almost unbelievable scene: In the Brazilian congress there is a near consensus now about investment strategies, but no one voted for or promoted these strategies because they still believe this somehow favors imperialism. They don't seem to understand that we Brazilians have investments abroad, too; it's not only foreigners investing in Brazil.

I have always been in favor of Mercosul and of integration well beyond what Mercosul was about, but we never properly followed the Europeans' example. We could not agree on a formula for a selective pooling of our sovereignty. So Mercosul became just a trade agreement, and these reinforced—or at any rate did not challenge—the old protectionist mentality.

Now we have another problem: Brazil has been so favored by investment and by the integration of the global economy that an imbalance has arisen between Brazil and Argentina. This makes the whole idea of integration and pooling sovereignty harder to discuss. And meanwhile, Argentina and Brazil both got a lift from China in the form of higher commodity prices. This has reduced the sense of urgency in coming up with a hemispheric plan.

Mercosul was not a failure politically. Trade increased enormously, and with it human contact and friendship did, too. No one talks anymore about the possibility

of a war between Brazil and Argentina, for example. Besides, now the main problem for South American economies is no longer posed by the United States but by China. Perhaps that problem has some potential to bring us together in a way we were unable to achieve before.

AI: We in the United States are happy to let China assume that role.

Fernando Henrique Cardoso: We have yet to organize our thinking about how to compete with China and what role the United States plays in our strategy. We can't match them in everything; we have to specialize a bit. Also, our prosperity can pose risks of its own if it is distorted by trade. Argentina, after all, was undone by its commodities-based prosperity. We have to avoid this trap.

AI: And cheap Chinese manufacturing makes it more difficult to avoid this trap, because it makes your manufactured goods less competitive and pushes you more toward a focus on commodities.

Fernando Henrique Cardoso: Exactly, and this is probably the key question for our future. But it seems no one is thinking about it. That was a big complaint against Lula's government, that it didn't have a strategy for the future. This implies that, while we still have high levels of education attainment, the content of that education must change to become more pragmatic, to involve new technologies.

We are doing this to some extent. If you look at data on the participation of Brazilian scientists in the world, you will see that the number of papers published by Brazilian scientists in international magazines is rising quickly. But the number of patents remains small. This is the imbalance: Theoretical thinking and pure science is strong but not the development of practical instruments.

Of course, there are some exceptions, particularly in industry, in state companies like Petrobras. They are creating and providing technology. I think one important feature of the current Brazilian economy now—and my government helped with this—is that even state-owned businesses are becoming genuine corporations. What I did for Petrobras was not to privatize it, but to force it to compete. And it became global as it did.

The same applies to financial capital in Brazil. Why is the future now in Brazil? Because now we have a savings system. Brazilians save domestically, though not as much as some wealthier countries. Still, we accumulate capital as never before, and this helps industry. Much of the system belongs to the government. Fifty percent of the banking system operates through state banks. When the government is indebted—and the debt is now going up very quickly—local savers buy bonds. We may be the only country in Latin America with a strong, large and flexible local financial system.

AI: Is there a sensible common economic agenda for the United States and Brazil?

Fernando Henrique Cardoso: I think so. There is an old tradition of American business in Brazil. Over the past twenty years, the Americans have been stagnant here while the Europeans have moved ahead. Germans have a lot of money invested, and the Spanish and Portuguese are involved as well. But the Americans still have a special advantage because they are really the only ones who have a global mindset. They don't want to control their companies by employing only Americans, whereas Spanish companies only employ Spaniards—and they pay a high price for that. When that happens, it sharpens the sense of competition in terms of national identity, not in terms of business. So I think there is a basis for U.S.-Brazilian cooperation in the economic area, and for Brazil the U.S. market is important, too, not just because of oil and juice but also because of manufacturing. We can also cooperate in the area of technology. Finally, it helps that since the end of the Cold War we haven't clashed in terms of basic values.

AI: During World War II and the Cold War the United States felt that friendly governments throughout the hemisphere were a strategic interest. After that period I think we reverted to our historic position that sees the Caribbean as very close, but South America as "far away."

Fernando Henrique Cardoso: From the Brazilian point of view, it doesn't

matter. Maybe it's better for us if the United States doesn't interfere. We're off the American radar unless Washington has a global-sized security crisis, and I don't think that is such a bad thing.

AI: What about the interest in Brazil in a permanent seat on the UN Security Council? That's something that keeps coming up in part because Brazil was on the League of Nations' rough equivalent of the Security Council.

Fernando Henrique Cardoso: Yes, this is an old story. Brazil asked for a Security Council seat because we had fought in Europe; we sent troops to Italy. Churchill opposed it, saying it would constitute a second American voice. This was never true, but it probably wouldn't have made sense to put Brazil on equal footing at the time because it had a feeble economy and little military presence to speak of. Now things may be different. We do have a long history of good diplomacy in Brazil because we inherited from the Portuguese their struggles against the Spanish in South America. We have a professional, competent diplomatic corps. And we have something to add to the world because Brazil is a peaceful nation with no enemies.

AI: Except during the World Cup.

Fernando Henrique Cardoso: Those enemies are feeble. The point is that we may become the world's first "soft" superpower because of our strengthening economy, size and population alone, and this is such an historically novel phenomenon that maybe we should be on the Security Council. We have to be more cautious about seeking a seat, however. It is a rather complex question. Now isn't really the time to reform the Council.

AI: Things do seem stuck. China will block India and Japan, the French and the British are nervous about the idea of collapsing their two seats into one European one, so the prospect of change is small for the time being.

Fernando Henrique Cardoso: Yes, but in any case this shouldn't be Brazil's main objective. What's important for now is that Brazil is performing at the global level. Its participation in the G-20, the WTO and the United Nations is important. Let us perform well and show that we can handle responsibility at the global level. If we do this, the prestige of a Security Council seat may come later.

AI: Let me close by asking what books you would recommend to people in the United States who want to understand Brazil better.

Fernando Henrique Cardoso: There's a fantastic book by Sérgio Buarque de Holanda, *The Roots of Brazil* (1936). This is a collection of essays, and the last one is on democracy. He was one of the rare Brazilian thinkers defending democratic values back then. It's an insightful volume.

Something newer comes from a Brazilian historian named José Murilo de Carvalho. He has written a wonderful book on Dom Pedro II (*D. Pedro II: ser ou não ser*, 2007). I also recommend Roberto Damatta, a wonderful anthropologist.

AI: There are many things Americans should learn, indeed. This has been great. Thank you, sir, very much.