

# **BRAZIL - Lula's Popularity Down, Finance Minister on the Ropes (Mario Osava, IPS)**

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*Brazilian President Luiz Inácio Lula da Silva's popularity has dropped to its lowest level ever, according to an opinion poll released Tuesday.*

RIO DE JANEIRO, Nov 22 ([IPS](#)) - Meanwhile his government is weighing its current economic policy against changes in favour of growth, and speculation is rife that Finance Minister Antonio Palocci will resign.

The government's approval rating fell from 35.8 percent in September to 31.1 percent in the survey carried out last week by the Sensus Institute for the National Transport Confederation, which conducts polls on the economy and politics every one to two months.

Lula's personal approval rating of 46.7 percent is at its lowest level since he took office in January 2003 with 83.6 percent popularity.

This is the first time his rating has dipped below the 50 percent mark, which jeopardises Lula's reelection, said Ricardo Guedes, director of the Sensus Institute.

He also noted that the proportion of respondents who said they would not vote for Lula under any circumstances had risen sharply, from 39.3 percent in September to 46.7 percent, and pointed out that anything above 40 percent represented a serious hurdle.

The poll indicated for the first time that Lula would lose to Sao Paulo Mayor José Serra, who he defeated in 2002, in an eventual October 2006 second round of voting, if the runoff were held today.

The series of corruption scandals that has cast a pall over the Lula administration and the leftist ruling Workers Party (PT) since May was the main cause of the president's drop in popularity, the survey showed.

A majority of those interviewed also said they believed he was involved in the wrongdoing - ranging from bribery of lawmakers to illegal campaign funds - that has led to several ongoing congressional investigations.

The scandals have already triggered the resignation of two ministers close to Lula and are threatening to do the same in the case of Palocci, who is seen by the financial markets, conservative economists and opposition parties as the main guarantee of the government's current fiscal austerity policy.

The minister's situation has become more tenuous since August as a result of accusations that he funneled illegal election contributions to the PT while serving as mayor of Ribeirao Preto, a city of half a million located 320 km from the southern city of Sao Paulo, in 2001 and 2002.

A parliamentary investigatory commission plans to "invite" him to respond to the accusations, which mainly came from his former aide in Ribeirao Preto, Rogerio Buratti.

The minister successfully defended himself from the allegations in a press conference in August, but new evidence has been revealed by other former aides and the local prosecutor's office.

Palocci is suspected of participating in a web of corruption that demanded kickbacks from garbage

collection companies seeking contracts from city governments in the state of Sao Paulo, to draw in campaign funds for the PT. Allegations that the party also received illegal election funds from Cuba and Angola further muddled the waters.

The investigatory commission that wants to question the minister is controlled by the opposition, but it is opposition parties that are the main source of support for the economic policies followed by Palocci, in contrast to the "friendly fire" he has faced from within the government and the PT.

The discontent among certain sectors of the PT with Palocci's conservative economic course of fiscal austerity and high interest rates was voiced by Lula's chief of staff Dilma Rousseff, who openly criticised the government's current economic management team.

Rousseff described as "rudimentary" the proposal put forward by Palocci and Planning Minister Paulo Bernardo to maintain strict fiscal discipline - by limiting public spending to reduce the public debt - for another ten years.

Rousseff's comments divided the government and dealt a blow to Palocci at a time when he is already reeling from allegations of corruption.

According to Gustavo Loyola, a former president of the Central Bank, Rousseff "took a shot at the best thing this government has," echoing the beliefs of economists and political analysts who maintain that "the only good thing" that the current administration has to offer is its economic policies.

Palocci is thus in the unusual position of being a powerful minister under threat who is defended more energetically by the opposition than by his own party-mates. While Lula has stressed that Palocci "is and will continue to be the minister of finance," he has also given signs that the fiscal adjustments may have been taken too far.

The target set for this year was to achieve a primary fiscal surplus (the surplus before debt service payments) of 4.25 percent of gross domestic product (GDP). But as of September, the surplus stood at 6.1 percent, meaning that a large part of the budget had not been spent and almost no investment had been made in the public sector.

Problems like almost impassable highways, a resurgence of foot-in-mouth disease blamed on insufficient funding for animal health measures and strikes in various sectors have further fuelled discontent with the Lula administration.

In the meantime, the economic stagnation registered in the third quarter of the year struck a warning bell over the sky-high interest rates maintained by the Central Bank, with a current benchmark lending rate of 19 percent annually.

The poll released Tuesday revealed that 52.7 percent of those surveyed feel that the economic policies followed by Palocci are "mistaken", while only 35.3 percent said they approved.

The pressure will continue to build as the 2006 general elections draw nearer, further heating up the battle between those who defend fiscal austerity and those who want a "relaxation" of this policy and a rapid reduction of interest rates - and are accused by the former of "populism" and sacrificing the economy for electoral gain.