

FT interview: Brazil's Lula on extraordinary comeback prospect

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If he wins the presidential election in October, it will be the political comeback of the decade, if not the century. Luis Inacio Lula da Silva, a former shoe shine boy and metal worker, enjoyed an economic boom as Brazil's president and left office in 2010 with an approval rating of more than 80 percent.

"I knew that if I became president of Brazil and my government didn't work out, a worker would never think about being president again," he told the Financial Times in an interview at his campaign's media center. Office space in a fashionable area of ??Sao Paulo.

However, under his anointed successor, Dilma Rousseff, the economy plunged into a severe two-year recession – partly as a result of policies implemented during his second term. Since then, it has struggled to generate strong, sustainable growth.

The leftist Workers' Party (PT), which dominated it for four decades, was revealed to have been at the center of a massive graft scheme while Lula and Rousseff were in office. The US Department of Justice described it as "the largest foreign bribery case in history."

After the country was outraged by the scale of corruption under PT rule, Lula was arrested in 2018 on graft charges – spending 580 days in federal prison. While in prison, Jair Bolsonaro, a former captain in the anti-establishment far-right army, won the presidency.

A rally calling for the impeachment of President Dilma Rousseff in Sao Paulo in 2016. The Workers' Party has been revealed to have orchestrated a massive graft scheme while Lula and Rousseff were in office © Nelson Almeida/AFP/Getty Images

Still, after being released on procedural grounds in 2019, Lula is now on the verge of a stunning second chance. The 76-year-old, who remains an icon of the Latin American left, is a strong favorite to wrest the presidency from Bolsonaro in October, according to polls.

With many Brazilians apparently fed up with Bolsonaro's mismanagement of the Covid-19 pandemic and endless culture war tactics, Lula – dressed in a smart blue suit and red striped tie – is trying to convince people that he is a statesman capable of political stability to bring And pull the country out of the economic hole it's been in for much of the last decade.

I am very sad because 12 years after I left the presidency, Brazil seems poorer.

"I'm very sad because after 12 years as president, Brazil seems poorer," he says. "I see more unemployment, more people going hungry, and a Brazilian government that has very low credibility at home and abroad."

Lula greets his interviewers like old friends and the conversation includes an animated discourse on the relative merits of Brazilian and British football, ending with his conclusion that sport has been the biggest winner from globalisation.

Although the first round of voting on October 2 is three months away, Lula is leading by 10 percentage points or more in some polls. "Lula's election is a defeat," said Oliver Stuenkel, a political expert at the Getulio Vargas Foundation in Sao Paulo. "It's incredibly difficult for Bolsonaro to be a competitive candidate."

Luis Inacio Lula da Silva greets supporters from a window at the Workers' Party headquarters in San Bernardo do Campo, Brazil, in 2018 © Marco Chello/EPA

With strong bases of loyal supporters, Lula and Bolsonaro dominate the political landscape, leaving little room for challengers. But both are also divisive figures that cause a lot of resentment.

Indeed, they fed each other. Lula's insistence that the corruption scandal was largely a plot against his party tapped a deep well of cynicism among many voters and paved the way for a political outsider. Bolsonaro won in 2018 when he presented himself as the anti-Lula candidate.

Now Lula is positioning herself as the antithesis of Bolsonaro, a politician known for his tirades against women, gays and environmentalists. After nearly four years of the current president, who espouses conservative values ??and gun ownership, Lula says Bolsonaro has "become the Paris of humanity."

His ability to connect with people contrasts with Bolsonaro, who polls say has alienated voters with his reckless handling of Covid and his lack of empathy for the 674,000 Brazilians who have lost their lives.

The question for the business community is: If he wins, which version of himself will Lula govern, the economic pragmatist of his early years or

the more ideological interventionist who emerged during his second term?

Lula offers few details about his plans: no matter how much you try to draw his gaze to the future, he prefers to remember past triumphs and his relationship with former leaders such as Tony Blair, Jacques Chirac and Gerhard Schroeder.

But he wants to be seen as a safe pair of hands. Lula emphasizes the “three magic words in governance”: reliability, predictability and stability. At his age, he adds, he is “more experienced, more experienced and much more willing to do the right thing.”

A looming recession

Lula’s first election to the presidency in 2002 was marked by great political fortunes: it coincided with a prolonged rally in global commodity markets caused by rapid growth in China. Along with several other resource-rich countries in the region, Brazil’s economy has grown.

However, if he wins again this October, Lula will face a very different environment: a potential global recession and a stretched budget that leaves little room for discretionary spending.

Brazil is expected to grow between 1 and 2 percent this year and unemployment has fallen into double digits for the first time since 2016, but inflation is a big concern. Prices are rising 12 percent annually, even as the central bank has raised interest rates to more than 13 percent. Generous fiscal stimulus during the pandemic reduced deprivation but was soon withdrawn.

Lula’s supporters attend a rally during Bahia’s Independence Day in Salvador, Bahia state earlier this month © Maira Erlich/Bloomberg

According to FGV Social, extreme poverty rose by more than a third last year to 14 percent. The research center said 36 percent of the population does not have enough money for food, based on a Gallup poll, in the country, which is one of the world’s largest agricultural exporters.

Ahead of the vote, Bolsonaro is betting on bigger handouts for the poor and hopes to introduce fuel subsidies for truck and taxi drivers.

Lula prefers soaring rhetoric to policy details. He becomes emotional as he talks about his childhood troubles. “I didn’t eat bread until I was seven,” he recalls. “I often saw my mother standing by the stove, nothing to cook for lunch or dinner.

He says he will scrap the constitutional cap on government spending, arguing that social spending is an investment, not an expense. “When poor people stop being very poor and become consumers of health, education and goods, the whole economy grows,” he says.

But he also dismisses doubts about his commitment to fiscal responsibility. “I learned at a very young age from my illiterate mother that I could not spend more than I earned.” He points to the election of Vice President Geraldo Alcin, a centrist leader who once ran against him, as evidence of moderation.

Lula says he will name a finance minister who is not an economist but an experienced politician advised by a panel of experts, as he did in his first term. He wants to overhaul labor reforms that have been in place since the PT left office and says he will overhaul the tax regime – a move Bolsonaro’s government tried but failed to make – to pay more to the rich.

Victory this October will give Lula the opportunity to define his legacy for posterity © Ricardo Lisboa/FT

Thomas Trauman, a political commentator who worked in Rousseff’s administration, believes Brazil can expect a mix of Lula’s pragmatic first term and greater state interventionism in her second term. But he dismisses fears of radicalism.

“The main difference between Lula today and Lula who was president now is that he centralizes decisions much more than before,” says Trauman. “He trusts people less. You can count them on one hand.”

Lula has little sympathy for business people who worry about possible extremism and criticize him for his lack of new ideas. “The Brazilian elite has a slave mentality,” he says, referring to the criticism he received when his party formalized the employment of domestic workers. “You know what they said here in Brazil when the traffic was bad? It’s a shame that Lula allowed poor people to buy cars.”

Despite his hostile rhetoric, Brazil’s economic elite are not panicking at the idea of Lula returning to power. The ongoing political turbulence of the Bolsonaro administration has alarmed the business community despite the implementation of some economic reforms, such as curbs on public sector pensions and some privatizations. Lula is a known quantity. “Lula is not an institutional threat,” says one senior banker. “We will lose some quality in economic policy, but it will not be a reversal.”

Alberto Ramos, Goldman Sachs’ chief Latin American economist, is more concerned. “Brazil’s public sector is terribly inefficient and Lula wants to strengthen it – and that’s not good,” he says.

“They saw the poor”

Lula’s greatest strength as a candidate is his memory of growing prosperity during his tenure.

Half an hour from his campaign office, on a street of tall, brightly painted makeshift buildings, local activists have used the pandemic as an opportunity to create a social enterprise center that provides everything from vegetable-growing classes for women. ..

