Political Parties and Their Influence on Brazilian State Enterprise Privatization

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Introduction

Throughout most of the 1990s and the early months of the year 2000, Brazil has embarked upon a substantial privatization program aimed at encouraging greater productivity, higher growth, and a reduction of government spending in state-owned corporations. Import substitution industrialization (ISI) exhausted its ability to create growth by the 1980s, and combined with the "lost decade's" hyperinflation and poor economic growth (1980s), Brazil searched for another means of promoting growth and reducing the public spending that fed an enormous national deficit. Privatizing public corporations, by allowing domestic and foreign firms/consortia with private ownership to invest in a percentage of Brazilian public corporations, has become the neoliberal response of the 1990s/2000 to the Brazilian public companies' problems of the last decade. Substantial media attention has been paid to the financial and corporate aspects of the world's largest privatization movement, begun under former Brazilian President Jose Sarney and perpetuated under current President Fernando Henrique Cardoso. However, scant attention focuses on how political parties affect the success or failure of specific privatizations by the Brazilian government and its Brazilian National Bank for Social and Economic Development.

First, this paper will use a two-pronged approach to examine the roles that various Brazilian political parties and the Brazilian national government play in privatizing Brazilian state-owned public enterprises. The first focus will concentrate on whether approaches to right-of-center, center, and left-of-center political parties by the Brazilian national government and the government-run Brazilian National Bank for Social and Economic Development, for BNDES (Banco Nacional do Desenvolvimento Economico e Social), play a pivotal role in whether these parties support or attempt to defeat state enterprise privatizations. Second, this work will focus on three significant privatization cases in search of any discernable patterns of successful or unsuccessful approaches by the national government and the national development bank towards privatizing these national corporations. The three privatization cases utilized in this study will be: Brazil's largest state-owned mining company, Companhia Vale do Rio Doce (CVRD); the national oil company Petrobras, and finally the major telephone and telecommunications corporation Telebras.

Hypotheses of This Research

This study utilizes a two-pronged hypothesis approach. The first hypothesis proposes that Brazilian political parties of the right and center more often than not support specific privatization cases as either parties of the national government and of the president, or as weak aggregations of clientelistic officials who seek benefits for their constituents. Political parties of the left favor slowing or reversing privatization and act as a concerted, organized group(s) who the national government's party in power and BNDES/Superministry of Development usually attempt to evade by having right-of-center and center parties approve privatization bills authorizing share sales (a minority stake) to domestic and/or foreign firms/consortia. The second hypothesis proposes that parties of the left focus on slowing and/or halting privatizations in Brazil through disciplined opposition that is consistent with all parties of the Brazilian left. In turn, this concerted opposition by leftist political parties forces the Brazilian national government to slow, reduce the scope of, or cancel a state enterprise's privatization sale in order to renegotiate the conditions for its minority share sale(s). Leftist party opposition can be especially effective when more moderate left-of-center parties join the leftist parties' principled opposition tactics to

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1 While BNDES remains an important governmental part of the mechanism by which public corporation privatization is facilitated, after July 16, 1999 the newly-created Superministry of Development, Trade, and Industry assumed control of matters regarding trade, industry, and the science and technology ministry. It is also designed to control all aspects of foreign trade policy. For more information, see: “Cardoso Renews Cabinet.” Latin American Weekly Review. 5 January, 1999: WR-99-01, 4.
oppose a specific privatization sale, whose share sale conditions would harm key constituents in the parties' members' districts.

Conceptualization

Political Party Development in Brazil

Before entering into how these three privatization cases have been shaped by political parties, an understanding of Brazil's rather unique political party development necessitates tracing the country's overall weakness in political party institutionalization. The beginnings of Brazilian political development came under the First Republic (1889-1930) after Brazil's Empire stage, where one republican party consisted of a hegemonic coffee-elite oligarchy and a weaker noncoffee-elite oligarchy rivaling each other for power as intra-elite factions (Lamounier and Bacha, 1994, 152-153.). Disaffected regional oligarchies, intellectuals, and military officials banded together to contest this coffee-led oligarchy, leading to the 1930 Revolution which placed Getulio Vargas as Brazil's provisional leader. His subsequent rise to president and in 1937 to dictator led to the creation of the Estado Novo from 1937-1945, where three key political concepts shaped Vargas's mission of state-building. Lamounier and Bacha (1994) identify a tripodal institutional framework, constructed by Vargas in the preceding years (1930-1937) before the Estado Novo dictatorship, that shaped Brazilian institutions in a manner that helped inhibit political party institutionalization from the parties' creation in 1945 onward.

Lamounier and Bacha (1994) detail the three legs of Brazil's institutional framework under Vargas as: a new set of capital-labor relations that politicized interest representation, a defined set of political rules and electoral laws for governing from the federal bicameral legislature downward, and finally a plebiscitary presidency which embodied an idealistic, charismatic president. These legs prevailed both as influential to party creation and their inability to consolidate as respected avenues of electoral representation long after the Estado Novo dictatorship (1937-1945) had passed. These legs were incorporated into the two political parties Vargas created in 1945 as his tool for managing the mass demand for democracy that he saw as inevitable after World War 11's end.2

Mainwaring (1995) illustrates that Brazil formed a modern parties system in 1945, very late in comparison to other Latin American countries' party systems. Lamounier and Bacha (1994) detail that due to Vargas's tripodal framework of Brazilian politicization, these parties did not become fully-institutionalized for several reasons. First, the plebiscitary presidency of Vargas and rapid economic growth helped create a difficult to-manage pro and anti-Vargas cleavage. Second, a substantial electoral imbalance worsened this cleavage and the tensions it created in the opposition party (PSD). Third, enormous payoffs that insured the ruling coalition's electoral existence in office conflicted with the rising expectations of Brazilians, created by successful ISI economic development. By 1960 under President Janio Quadros and later under President Joao Goulart in 1961, these parties disaggregated under the three previous pressures until the military government overthrew the presidency in 1964 (Mainwaring, 1995, 362). Under the following 21 years of authoritarian rule, the military government created the two political parties, which would become the institutional foundations for the post-authoritarian democracy of the latter 1980s and 1990s.

Since the aperatura or reopening of democracy in Brazil following President Sarney's 1985 assumption of office, the weakness of the country's political parties worsened in a multiplication of new parties that

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2 The two parties created by Getulio Vargas were: the Social Democratic Party (Partido Social Democratico, PSD) and the Brazilian Labor Party (Partido Trabalhista Brasileiro, PTB) See Mainwaring 1995, 356-357 for a listing of the parties of the period after the Estado Novo (1945-1964) and the political parties created and in democratic functionality after the military authoritarian government (1964-1985).
contained few or no true connections to the past. Lamounier and Bacha (1994) and Mainwaring (1995) illustrate that Brazil's clientelistic democracy creates regional offices and a presidential plebiscitary office, which encourages charismatic leadership over consolidating political parties as legitimate institutions (a la President Fernando Henrique Cardoso and his lesser known party the PSDB). This tendency worsens the chances of true political party institutionalization according to Mainwaring (1995) and Lamounier and Bacha (1994).

Mainwaring (1995) describes the New Republic's (1985- present) traits of switching between parties as indicative of the effects of the tripodal institutional framework (Mainwaring, 1995: 378). These New Republic traits further weaken party identification and institutionalization in three ways according to Lamounier and Bacha (1994). First, politicians under this framework win votes on their abilities to deliver public resources and state patronage, which is easier to do as a member of the party in office. This encourages party switching as a means of access to public resources for clientelistic legislators. Second, career or party platform disillusionment promotes party changes and new party creation over winning one's party to your viewpoint (Mainwaring, 1995: 378). Third, some politicians become disgruntled if they do not obtain a desired nomination to a post within a party. Often, the party that will promise politicians nominations within its party will become the disgruntled politicians' new party, or the politicians will create their own party to assure their nomination to a desired post.

However, despite the weakness of the right-of-center and moderate-center to center-left parties, Mainwaring (1995) details a significant exception utilized in this paper's second hypothesis: the highly-disciplined leftist parties as a distinct exception to each of the three New Republic traits of the tripodal institutional framework. Leftist parties, such as the PT (Workers' Party), the PCB (Popular Socialist Party), and the PC do B (Communist Party of Brazil) rarely permit party switching within their individual party ranks. These parties tend to be highly-disciplined within their party ranks and particular in whom they select for a candidacy, infusing their members with a distinct party discipline and cohesion not found in other parties according to Mainwaring (1995). While this exception will be significant in order to understand Brazilian political parties' influence in any given case study's success or failure, it is important to understand the governmental politics behind Brazil's privatization of state-owned companies.

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3 Tancredo Neves became the first freely elected presidential candidate in January, 1985 of the PMDB (Party of the Brazilian Democratic 'Movement), the progeny of the MDB (Movimento Democratico Brasileiro or Democratic Brazilian Movement). Neves died before assuming office, and his vice-president Jose Sarney assumed office in February, 1995 in his place as the president of Brazil. (Mainwaring and Scully, eds. 1995, 368).

4 The Party of the Brazilian Democratic Movement (PMDB) was created in 1978 as a successor to the opposition Democratic Brazilian Movement (MBD) of the military rule period which opposed the National Renovation Alliance (Arena) of the military government. The PMDB exists as a center party, though many conservatives have entered it in the 1990s. The Leftist parties have roots tracing back to the 1920s in Brazil, though most are a reflection of the new proliferation of parties. They are: the Left parties of the PC do B, the Communist Party of Brazil; the PT (Workers' Party) of 1998 presidential candidate Luis Ignacio Lula da Silva's leadership, the PCB/PPS Brazilian Communist Party, renamed the Popular Socialist Party in 1992; and the PSB (Brazilian Socialist Party). The Center left consists of: the PDT (Democratic Labor Party or Partido Democratico Trabalhista) of the 1998 vice-presidential candidate Leonel Brizola, and the Party of Brazilian Social Democracy (PSDB), the party of Brazilian President Fernando Henrique Cardoso. For more information, see Mainwaring, 1995: 356-357.

5 One recent exception, the left-of-center PDT (Democratic Labor Party) exhibits strong party discipline and cohesion.
History of Brazilian Privatization: The Reasons behind the Drive

The current Brazilian privatization of state-owned companies results from the past economic program of import substitution industrialization (ISI) from the 1930s through the 1980s, the exhaustion of the model, and the resulting debt from this economic expansion model. ISI development began in the 1930s under Getulio Vargas as a means of state-building that would transform Brazil from an agricultural economy to an industry-led economy, where the emphasis on added value in industrial goods could be much more profitable than in agricultural crops. Lamounier and Bacha (1994) detail that as Brazil's ISI program continued beyond Vargas's rule into the 1945-1964 democratic period, and even into the 21 years of military rule afterward. Rapid economic growth propelled per capita income from U.S.$500 in the mid-1930s to U.S.$1000 in the latter 1950s, and topped at U.S.$2000 by the early 1970s (Lamounier and Bacha, 1994: 149-150). Drastic income inequalities could be tolerated by the masses because all people's economic conditions were expected to improve and often did. However, massive borrowing under the military government, an exhaustion of the Brazilian national market, uncompetitive industries, and inflation eroded much of the gains achieved under earlier ISI stages. By the end of the lost decade (the 1980s in Latin America), Brazil found itself immersed in record high foreign debt, an inefficient industrial infrastructure, and hyperinflation.

After several attempts under different presidents to control inflation and rejuvenate the Brazilian economy unsuccessfully, President Itamar Franco appointed as his finance minister Fernando Henrique Cardoso in May, 1993. Once a former ISI advocate, a changed Cardoso implemented the successful Real Plan, reducing hyperinflation to manageable levels, implemented sound monetary policy with a new U.S. dollar-anchored currency (the Real), and reaccelerated the privatization program to rid the state of debt-incurring industries and to infuse foreign investors' money into the economy. (Montero, 1997). The Real Plan's success propelled Cardoso into the Brazilian presidency in the 1994 elections, where he continued a reinvigorated privatization drive under a stabilized economy. Montero (1997), Thurston (1996), and Schomberg (1996) emphasize that President Cardoso's state-owned enterprise privatization is directed towards infusing monies for federal debt reduction, infrastructure improvements through both private firms/consortia investment and the government, and to attract private investment towards making government-owned companies more efficient and profitable. Thurston (1996) further illustrates that with additional privatization legislation passed by Brazil's Congress, additional investment into certain government firms in the electric, gas, oil, and telecommunications sectors is now permissible by BNDES, the Brazilian national development bank created to oversee the sale of minority shares in government enterprises. Privatization has become a necessity in the neoliberal 1990s, where the Sao Paulo state secretary of transportation Plinio Assemann flatly stated to potential New York investors that "(W)e are not engaged in privatization for any ideological reason; we have no other option." (Thurston, 1996).\(^7\)

\(^6\)Note that despite the failings of ISI economic development evident in the 1980s, Lamounier and Bacha (1994) contend in their article "Democracy and Economic Reform in Brazil" that ISI was successful in raising the per capita income level when compared to the United States. For more information, see their article in the Nelson edited work A Precarious Balance: Democracy and Economic Reforms in Latin America. Volume II., San Francisco: institute for Contemporary Studies, 1994.

\(^7\) While this statement by Sao Paulo state secretary of transportation underscores the urgency of privatization in aiding debt repayment and promoting infrastructure improvement, some legislators and potential presidential candidates from the left, such as Luis Ignacio Lula da Silva of the Workers' Party, would contend that this is not so. See Fritsch, 1998: 280.
An Explanation of Methodology

This study will examine three prominent case studies in the Brazilian privatization of state-owned enterprises to analyze what national government/BNDES approaches to the right, center, and leftist political parties were successful or unsuccessful in obtaining specific parties' support for each privatization. Furthermore, each case study will examine political party reaction to the Brazilian privatization program across the ideological spectrum to determine what role political parties' ideologies, or lack of strong, coherent ideologies, play in the three privatization proceedings. This study measures successful state enterprise privatization by the following criteria. The first criterion is the successful sale of minority shares of ownership in the enterprise, which promotes investor confidence by allowing the minority share owner(s) a voice in the affairs of the corporation by right of partial ownership. The second criterion is the ability of Brazil's president to persuade a majority of legislators in the bicameral Brazilian Congress to approve privatization proposals without conceding important foreign investment rights in concessions to the left of center and strongly leftist parties. These concessions, forced by the left, tend to weaken foreign investor confidence and inhibit privatization share sales. These two criteria, if successfully obtained by the national government, can define the cases of successful minority share privatization of Brazilian state enterprises. The three case studies will be: the Brazilian mining giant CVRD (Companhia Vale do Rio Doce), the national oil concern Petrobras, and the Brazilian telecommunications giant Telebras.

Analysis

CVRD - The Crown Jewel For Making or Breaking Privatization

The privatization of Brazilian state-owned mining giant Companhia Vale do Rio Doce (CVRD) represented a pivotal precedent due not only to its sheer size, but to the national government's and BNDES's ability to sell minority ownership stakes in such a crucial industry as this. Its sheer potential for enormous future profitability is evidenced in the Carajas mining district in the northern Para state, where 18 billion tonnes of iron ore were discovered by a geologist in search of manganese thirty years ago (Simona de Logu, 1997). Not only does the CVRD-owned Carajas site contain over 400 years worth of potential iron ore mining, the world's largest reserve to date, the site also contains substantial reserves of precious minerals such as gold. CVRD invested U.S.$3 billion to develop the Carajas site into a self-sufficient mining location, complete with a company town and a railway that transports iron ore and other deposits to a specially-made deep-water port in the Maranhao state (Simona de Logu, 1997). One mining consultant commented about the Carajas site in this manner,

"What everyone is after is the iron ore,... There is only one attraction: Carajas. It is the biggest iron ore deposit in the world and it is very well-run." (Simona de Logu, 1997).

The Brazilian national government and BNDES's sale of 45% of CVRD's shares became a large media event due to the sheer size of the privatization share sale. Companhia Vale do Rio Doce's 45% block of voting shares were put on sale previous to the anticipated August, 29, 1997 sale date, with an estimated base value of U.S.$2.83 billion dollars. Once the minority 45% voting share had been sold, the remaining 31.5% of CVRD shares would be put on sale later to complete what will be one of Latin America's biggest privatizations, with the total company shares estimated to be worth U.S.$9.77 billion ("Brazil Keeps Investors Guessing.", 25 Aug, 1997: 280). To prevent any one owner from obtaining majority shares and thus control over CVRD, the government will retain what is known as the "golden share," allowing it veto power over decisions made by investors. In addition, no one private investor could own more than 45% of CVRD according to Brazilian
privatization rules stated in the sales contracts. In May, 1997, the Brazilian mining consortia CSN bought the 45% voting share of CVRD for U.S.$3.1 billion, while the second round of Companhia Vale do Rio Doce awaits for a sale date to be made.

Political party reactions to CVRD's privatization became a focal point for President Cardoso's national government and BNDES, for this privatization would be the "make or break" action that could either open the doors to future sales or stall the privatization process. Some right-of-center and center-based political parties' members opposed the sale out of sheer opposition to the privatization concept itself. The PMDB (Partido doMovimento Democratico Brasileiro) opposed the CVRD sale because it saw opportunity in its potential for presidential candidate J6seo Sarney, former president of Brazil in opposing the sale. However, among the right and the center parties, BNDES and President Cardoso appealed to the clientelistic nature of Brazilian politics by promising states that would lose revenue, due to a CVRD privatization, ample compensation by Cardoso's government. Other legislators gave their approval to the sale, but with the condition that CVRD was to be split into separate units to make more money for the national government, rather than as one entity. In addition, the national government projected the Companhia Vale do Rio Doce sale as a pivotal show of confidence in foreign investment, which if successful would bring more privatization investors whose monies could be used for future debt reduction and infrastructure improvements. These two arguments pointed to a government plan of negotiating with patronage-oriented politicians of the center and right, based on what they could expect to deliver to their constituents if the Vale sale went through successfully, as opposed to the measure being appealed as complementary to right and center parties' political platforms.

Leftist political parties, such as the Workers' Party (PT), took a much more consistent, principled opposition to the CVRD privatization sale. Their parties opposed the sale on the grounds that private ownership would cause rising unemployment as purchasers made the company more efficient. In addition, they contended that CVRD's minority share sale would worsen the income gap between the rich and poor in Brazil. The leftist parties continued their "Save Vale" campaign through the day of the sale, and they continue to promote this message in response to what shares of CVRD are left to be sold. The highly-disciplined parties of the left showed staunch opposition to this company's privatization and held great discipline within ranks on this issue, despite their loss to pro-privatization legislators and the Cardoso government.

Petrobras: Altering the State Oil Monopoly

Petrobras, the oil corporation monopoly of Brazil for 40 years, presented a case where opposition to privatization led to a unique compromise by the parties involved. Brazil's state-owned oil corporation lost its state monopoly status on June 20, 1995 with the successful passage of a constitutional amendment allowing the privatization of crucial industries dealing with oil, gas, and telecommunications. The actual industries dealing with oil, gas, and telecommunications. The actual success of this amendment rode upon the agreement that was made between President Fernando Henrique Cardoso and the political parties who favored privatization, and those parties who opposed the privatization of Petrobras.

When President Cardoso brought the amendment before the Brazilian Congress, he and his party (the PSDB) were faced with substantial opposition from the center as well as the leftist parties to the state oil corporation's privatization. Some of this opposition consisted of "spillover" feelings of opposition to the

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8 After the CVRD sale of its 45% minority voting shares, J6seo Sarney declined to run for the presidency of Brazil. This fact would explain later approval of the PMDB of President Cardoso as their candidate for president, though Cardoso's party is the PSDB (Partido da Social Democracia Brasileira).

9 Note that at the same time as the CVRD's first 45% voting share privatization, right-of-center and center parties stood to benefit additionally from clientelistic benefits that could be extracted from President Cardoso and his party's national government posts in return for amending the Brazilian Constitution that permitted his reelection in the October 4, 1998 elections. This amendment passed with sufficient votes to modify the Brazilian Constitution, and President Cardoso ran and won a second term.
Companhia Vale do Rio Doce privatization. Parties such as the PMDB, a center party who opposed the CVRD sale, now took that same opposition and applied it to the amendment affecting the Petrobras corporation. Leftist parties like the PT under Luis Ignacio Lula da Silva opposed Petrobras's privatization under the same principle that foreign ownership would lead to lost jobs and to an increasing gap between the rich and the poor. The left's opposition to Petrobras's privatization consisted of the same disciplined opposition and cohesion that they showed toward the CVRD proposal.

President Cardoso realized that opposition to the amendment affecting the state oil corporation was riding the same wave of unfavorability as did the CVRD privatization proposal. In an attempt to decrease opposition to the CVRD sale, Cardoso needed "to take the wind out of the nationalists' sails." (Brazil Report, 13 July, 1995: 1). He and the ruling PSDB party promised new legislation after the amendment's passage which would end the state's oil monopoly while guaranteeing Petrobras's public ownership. The best of both worlds was obtained: retaining public ownership of the state oil monopoly while opening the oil sector to foreign investment. The amendment passed and amended the Brazilian Constitution on June 20, 1995, with subsequent legislation promised by President Cardoso being introduced and passed by the Brazilian Congress, exempting Petrobras from entering BNDES's privatization program.

With all but the most stalwart opposition to private sector investment in the oil corporation favoring the amendment and the retention of public ownership, Petrobras proceeded to consult the National Petroleum Agency (Agencia Nacional de Petroleo, ANP) as to which oil and gas exploration areas it would retain monopoly status on, and which would be open to joint partnerships with private firms. The ANP decided to only permit the state oil corporation a 7.1% monopoly control over Brazil's potential oil fields, while authorizing joint ventures with private corporations for over 92% of the potential oil areas. Despite this seemingly unfavorable oil region allocation, Petrobras still retains current exploration rights in 115 areas, development in 51 fields, and oil and natural gas production rights in 231 locations (Brazil Report., 7 July, 1995: 1). In addition, to fulfill Brazil's oil needs, Petrobras should be drilling 3000 new wells per year with an U.S.$8 billion per annum budget, while it currently has the resources for only 1000 new wells per year with a budget of U.S.$2 billion. This fact explains the hope that the Cardoso Administration places in transnational oil companies to help increase the state oil company's production with new investment. Exxon, Britain's BP, and Brazil's Obebrecht construction corporation have already invested in Petrobras. From this instance of compromise between the privatization desires of President Cardoso and the opposition to Petrobras's privatization, the third case study of Telebras's privatization will be examined.

Telebras: The Giant Telecommunications Sale of 1998

The third example of political parties and their effect upon Brazil's privatization program is the state telecommunications giant Telebras. The July 30, 1998 privatization sale of less than 20% of the Brazilian state-owned telecommunications enterprise became the most expensive privatization to date in Latin American history. Voting shares of 12 different companies comprising the Telebras enterprise were sold for a combined price of U.S.$19.2 billion to numerous Spanish, Portuguese, U.S., and other transnational telecommunications consortia. Brazil's telephone and communications enterprise consists of 12 different divisions, created from 27 regional operators in 1972. Telebras's 12 divisions consist of three blocks: a telephone grouping of 3 holding companies headed by Embratel, and the remainder of large and small cellular telephone holdings comprising the rest. This particular privatization contains great importance because of Brazil's woefully underdeveloped

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10 For more information concerning the compromise amendment offered by President Cardoso, see "Cardoso Outflanks Opposition With Pledge to Keep Petrobras in State Sector." Brazil Report, Latin American Regional Reports, 13 July, 1995. RB-95-06, 1.
11 For specific information concerning what transnational corporations bought which percentages (never more than 1 company from each of the 3 groupings) of which Telebras holdings, see: "Venden Telebras por $19,000 millones." El Nuevo Herald, Negocios. 30 July, 1998: 4B. For an English version of this information, though
telephone system, and the 160 million person Brazilian market that the country now provides for telecommunications investment and expansion.

The Brazilian political parties voted on the ability of the national government and BNDES to sell the telecommunications giant in 1995 alongside the then-possible privatization of Petrobras. The right-of-center and the centrist political parties reacted with opinions ranging from guarded acceptance to enthusiastic approval of the July 30, 1998 Telebras minority share sale. These parties, such as the PSDB of President Cardoso, and the PMDB, which supported the president's reelection, saw their futures as clientelistic in nature. They wanted to bring, as individual legislators, the benefits of the Telebras privatization sale and the public goods benefits that should come with supporting the most-likely winner of the October presidential election. (Brazil Report..., 2 June, 1998: 2). Also, by supporting Cardoso's reelection, clientelistic or patronage access followed from the Cardoso Administration; public access monies and benefits which can help legislators to win approval from their constituents as expressed in Mainwaring (1995).

Leftist parties, on the other hand, have focused upon a disciplined and daring opposition to the continued privatization program, especially emphasized by Telebras's minority share sale in July. First, the left parties decried the telecommunications sale as yet another instance of the country selling its future into foreign hands, as well as the lost revenue from the sale for the Brazilian nation-state. Second, and more powerfully, the left parties solidly backed the 1998 presidential candidacy of the Workers' Party's (PT, or Partido dos Trabalhadores) Luis Ignacio Lula da Silva and the center-left's PDT vice-presidential candidate Leonel Brizola. The solid, disciplined backing of all the left parties: the PT, the Socialist PSB (Partido Socialista Brasileiro), the Maoist PC do B (Partido Comunista do Brasil), and Brizola's PDT (Partido Democratico Trabalhista) created ripples of fear and worry among international and domestic investors, who were alarmed at Lula da Silva's statement that if he was elected in 1998, he would have temporarily halted privatization and "revised" those in place at the May, 1998 PT convention. In addition, vice-presidential candidate Brizola claimed that if he was elected to the vice-presidency, the leftist government would nullify the U.S.$19.2 billion Telebras privatization sale (ISLA, 18 June, 1998: 279). Despite denials from Lula da Silva's aides and analysts' opinions that Lula was not a radical revolutionary, these statements could have threatened to derail the Brazilian privatization process if Lula da Silva and Brizola had won.

President Cardoso and his supporting parties, the PSDB and the PMDB amongst others, responded to these "threats" to the Brazilian privatization process, as a poll in June, 1998 placing Lula da Silva at 44% of the public vote, only 1 point below that of Cardoso's, by taking more effective charge in bringing relief to northeast Brazil's drought-struck regions (Brazil Report..., 7 July, 1998: 2-3). In addition, Cardoso took advantage of Leonel Brizola's retraction of his nullification statement and Lula's silence on the privatization issue afterward to dramatize the left's "danger" the privatization program, which remained essential to Brazil's future well-being. These measures returned President Cardoso's margin of re-election to a more respectable 36% versus Lula's 29% and helped restore some foreign investors' shaken confidence in Brazil's privatization program. Still, the electoral capability of the left's Lula-Brizola ticket left world business leaders warily watching Brazil's 1998 presidential election. This is the power that the Brazilian left's parties can display during presidential elections, despite failed attempts to both derail most privatizations in the past and to win the 1998 Brazilian presidential election.

Conclusion: Political Parties and the Brazilian Privatization Process

In conclusion, the first hypothesis of right-of-center to centrist political parties being lobbied for pivotal support for specific privatizations, either through party support for the president as parties of the national government in order to gain direct clientelistic favors, or as weak aggregations of officials seeking clientelistic

less detailed than the Spanish text and written just before the sale, see: "Telecoms Auction to Go Ahead, New Minister Says, But With Slight Delay." Brazil Report. Latin American Regional Reports. 2 June, 1998: RB-98-05, 1.
favors for their constituents, is supported. Political parties do play a pivotal role in the Brazilian privatization process, especially concerning what method of persuasion the national government and BNDES/Superministry of Development use or do not use to pass privatizations of key national enterprises in the three case studies. The national government and BNDES’s approach to privatization focuses on persuading not the parties of the right-of-center and the center, but instead the individual legislators of these political parties on the clientele benefits of supporting a given privatization program. The second hypothesis concerning leftist parties' cohesive opposition to privatizations forced compromises, a heavy dependence on right-of-center and centrist party legislators' support through clientelistic rewards, delays, and even revocation of privatization in one case (Petrobras) is reinforced by the three privatization cases shown. Disciplined and highly cohesive leftist parties were evaded by BNDES and the national government in two of the three cases by building on public largesse to a majority of legislators who don’t have strong party connections, such as those right-of-center and centrist party legislators. Party affiliation appears to matter little to this latter group of individuals, while party support and cohesion within ranks matters greatly to the former. This key fact shaped the approaches of two of the three privatizations with the approval of the right-of-center and centrist parties, while disadvantaging the left's opposition intentionally, except in the Petrobras example. In this instance, where the left's coherent opposition to the oil monopoly's privatization created a sufficiently powerful opposition for even the self-serving campaign interests of former president Sarney's party, the PMDB, to jump on-board and force a compromise; thus closing Petrobras's privatization in return for permitting foreign investment within the public enterprise.

The three tripodal legs mentioned in Lamounier and Bacha (1994) and in Mainwaring (1995) continue to affect political parties, as evidenced in the three Brazilian privatization cases and the political parties' reactions. The weakness of most Brazilian political parties, except for the left's parties, exhibits the strong affect of clientele relations between the charismatic plebiscitary presidency and the legislators who both inhibit political party consolidation and institutionalization. Political parties in the privatization process of Brazil pale are vulnerable, except for the left's cohesive parties, in delivering public goods to constituents through loyal party channels (as opposed to seeking individualistic, non-party oriented patronage and clientelism). Individual center and right-of-center legislators are notorious for party switching and/or new party creation if their current party affiliation does not favor easy access to these public goods. Or for that matter, a legislator who favors a career-enhancing post nomination will sometimes change party affiliation or create a new party to obtain that position. Mainwaring's (1995) exception of the highly-disciplined leftist parties is a significant exception worth noting-- Brazil's privatization program has been affected in important ways illustrated in the case studies of CVRD, Petrobras, and Telebras by it.

This study's significance in the comparative political parties literature exists because it addresses the role that political parties play in Brazilian privatization of state-owned industries in the 1990s, a topic whose business and financial aspects have been exhaustively covered while the role political parties played remained relatively untouched. This research project's results, especially that of the left's distinct exception from being affected by the tripodal institutional framework, illustrates a need for further research and investigation as to why the Brazilian leftist parties can rise above the tripodal framework while other parties could not. Questions that this paper poses are the following. What makes the political parties of the Brazilian left so disciplined in light of the recent decline of leftist parties around the world? How did they escape the tripodal institutional framework, and what is preventing the right of center and centrist political parties of Brazil from doing likewise? Could the left's elevation above the tripodal framework be taken as a sign of reinvigorated leftist political parties in Brazil? Or for that matter, could the leftist political party cohesion and discipline found in Brazil in opposing privatization and running candidates for the president's and vice-president's offices be a window into the future of the left in Latin America? Or will this trait be a solely Brazilian phenomenon that impacts that nation-state's privatization program only? Whatever the answers or hypotheses may be for these questions, the future of Brazil's, if not all of Latin America's privatization programs, may depend upon a proper assessment of these issues within a comparative political parties prism of study.
References/ Works Cited


